



**DEPARTMENT  
of HEALTH  
and HUMAN  
SERVICES**  
**Fiscal Year  
2007**

**Program Support Center**

*Justification of  
Estimates for  
Appropriations Committees*



## MESSAGE FROM THE DIRECTOR

I am pleased to present the Program Support Center's (PSC) FY 2007 Congressional Justification. This budget request supports the President's and Secretary's priority initiatives and reflects the goals and objectives in the Department of Health and Human Services' (HHS) FY 2005-2010 Strategic Plan from an administrative support perspective. As the shared services provider for the Department, PSC provides a full range of administrative support services to all components of HHS and other federal agencies focusing primarily on products and services in the following areas: administrative operations, financial management, health resources, human resources, and strategic acquisitions.

This justification includes the FY 2007 Annual Performance Plan and FY 2005 Annual Performance Report as required by the Government Performance and Results Act of 1993 (GPRA). This past year we focused on strengthening the performance management program for our organization and linking this program to our budget process and financial outcomes. Performance management provides a consistent and effective way to measure our achievements and to strive for continued improvement. For FY 2005, we implemented new measures that provided all of our product and service areas with a shared focus on quality delivery, customer satisfaction, and cost management. We will build upon these measures in FY 2007.

During the last fiscal year, PSC made significant administrative contributions to support the goals of the Department. The following are highlights of PSC's accomplishments in FY 2005.

- Led the Department's payroll conversion from the HHS Legacy Payroll System to the Defense Finance and Accounting System (DFAS).
- Partnered with the Office of Personnel Management (OPM) to lead the conversion of all HHS employee personnel files to electronic format.
- Led the Department-wide implementation of e-Travel, in which we successfully migrated all of our customers to GovTrip.
- Commenced Operations and Maintenance support for the Unified Financial Management System.
- Provided administrative support for the Department's mission-critical efforts to meet the needs of those affected by Hurricane Katrina.

This FY 2007 budget request reflects our successes, our vision, and our commitment to ensure that we meet the needs of customers and support the missions of the Department. We have achieved our success to date through a relentless commitment to provide high-quality and cost effective administrative support services to our customers. As we look towards the future, we will continue to focus on this commitment as well as strive to achieve excellence in all we do.

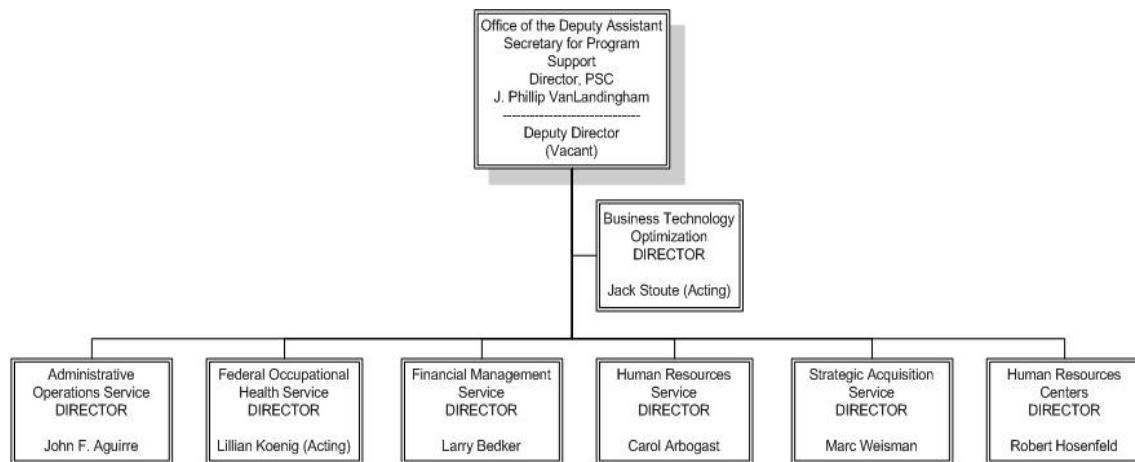
J. P. VanLandingham  
Deputy Assistant Secretary for Program Support  
Director, Program Support Center

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM SUPPORT CENTER  
FY 2007 PERFORMANCE BUDGET SUBMISSION TO CONGRESS

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**DEPARTMENT OF HEALTH AND HUMAN SERVICES**  
**OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT**  
**PROGRAM SUPPORT CENTER**



## **Performance Budget Overview**

## **Statement of PSC Mission**

The Program Support Center (PSC) is a component of the Office of the Assistant Secretary for Administration and Management (ASAM) within the Office of the Secretary, Department of Health and Human Services (HHS). PSC was established in 1995 to reduce government spending, HHS overhead, and duplication of efforts in the realm of administrative support services, by capitalizing on its expertise to realize significant savings through cost negotiations, economies of scale, consistent quality service, and consolidated and timely delivery of products and services.

PSC provides over 50 products and services on a competitive, fee-for-service basis to customers throughout HHS, as well as to approximately 14 other executive departments and 20 independent federal agencies. Products and services are provided in primarily five broad business areas: administrative operations, financial management, health care resources, human resources, and strategic acquisitions.

As the shared services provider for HHS, PSC's mission is to assist and enable HHS to focus on its core mission of enhancing the health and well being of all Americans through the provision of centralized, qualitative administrative support goods and services. To accomplish its mission, PSC will eliminate duplication, capitalize on expertise, experience, and cost savings. To guide us in fulfilling our mission, we will strive to uphold a core set of values that include: customer focus, workforce commitment, cost effective and high quality service delivery, communication, transparency, and technology optimization.

## Discussion of PSC Strategic Plan

PSC's Strategic Plan 2005-2009 describes the mission of the PSC and establishes strategic goals and strategies to fulfill this mission. The strategic plan outlines PSC's framework both for the present and into the future. The centerpiece of this plan revolves around five strategic goals – Excellent Customer Service, Excellent Workforce, Excellent Communication, Excellent Resource Management, and Benchmark for the Federal Shared Services Community. Each goal is essential to producing high quality performance, low cost, high productivity, improved risk management, and continuous opportunities for improvement.

As the shared services provider for HHS, PSC developed strategic goals that are primarily aligned to support all objectives of HHS Strategic Goal 8 – Achieve Excellence in Management Practices. In addition, since services provided by the PSC enable the HHS program agencies to focus on the HHS mission to enhance the health and well being of all Americans, PSC strategic goals also contribute overall support for all HHS strategic goals, the Secretary's 500-Day Plan, and the "One HHS" 20 Department-wide objectives from an administrative support perspective. For example, the Department's Surplus Federal Property Assistance Program is administered by PSC. This effort contributes to HHS Strategic Goal 6 – Improve the economic and social well-being of individuals, families, and communities, especially those most in need.

The following are the PSC's five strategic goals that provide the foundation for us to achieve excellence in management practices.

- **Customer Service:** We will strive for excellence by achieving a reputation for customer service, improving customer relationships, developing a customer service oriented workforce, and achieving performance standards.
- **Workforce:** We will strive for excellence by developing a skilled workforce, increasing workforce satisfaction, developing innovative recruitment techniques, rewarding high-performance, and fostering an environment of innovation and entrepreneurship.
- **Communication:** We will strive for excellence by providing continuous and open communication with customers, communicating frequently and effectively with employees, and increasing workforce knowledge of PSC services.
- **Resource Management:** We will strive for excellence by ensuring customer understanding of PSC costs and billings, maintaining competitive rates, achieving economies of scale, improving financial management, and limiting duplication of services Department-wide.
- **Benchmark for the Federal Shared Services Community:** We will strive for excellence by increasing awareness of PSC as a shared services provider for the Federal Government, increasing our customer base and opportunities for

partnerships, applying best-practice business and operational processes, and integrating business and technology.

The PSC performance budget has been developed to enable us to achieve our strategic goals. This will result in the provision of high-quality and cost effective administrative support products and services to HHS in the areas of human resources, financial management, administrative operations, health care resources, and strategic acquisition. As a result, our customers can focus on their core mission instead of producing the product or service on their own.

The following table illustrates the alignment of the PSC strategic goals with the overall goals of the Department:

### PSC Strategic Goals Aligned to HHS Strategic Goals

	PSC Strategic Goals				
	Excellent Customer Service	Excellent Workforce	Excellent Communication	Excellent Resource Management	Benchmark for the Federal Shared Services Community
<b>HHS Strategic Goals</b>					
1. Reduce the major threats to the health and well-being of Americans.					
2. Enhance the ability of the Nation's health care system to effectively respond to bioterrorism and other health challenges.					
3. Increase the percentage of the Nation's children and adults who have access to health care services, and expand consumer choices.					
4. Enhance the capacity and productivity of the Nation's health science research enterprise.					
5. Improve the quality of health care services.					
6. Improve the economic and social well-being of individuals, families, and communities, especially those most in need.				<b>X</b>	
7. Improve the stability and healthy development of our Nation's children and youth.					
8. Achieve excellence in management practices.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>



## **Overview of PSC Performance**

As we strive to be the provider of choice across the Federal government, we continue to be performance driven in our efforts to provide high quality and competitively priced administrative support services to our customers. This past year PSC focused on strengthening its performance management program and linking this program with our budget process and financial outcomes. Linking our performance organizationally and measuring our progress and performance is an essential part of our strategic visioning and planning process. The PSC mission and vision are focused on delivering products and services to customers that are recognized as high value for the price paid. PSC's Strategic Plan 2005-2009 identifies goals that enable employees and leaders within the organization to remain focused on this mission and vision. In order to measure our success in a quantifiable manner, PSC has implemented ten performance goals that directly and indirectly link to each of the strategic goals.

To this end, the two primary outcomes that PSC strives to achieve are quality delivery and cost-effective operations. PSC has implemented two performance measures specifically targeted at addressing quality of delivery. This is important for PSC in order to achieve our strategic goals of Excellent Customer Service, Excellent Workforce, and Excellent Communication. By gathering data to measure timeliness of service and customer satisfaction, we are able to elicit feedback from customers about services and employees, identify process improvements, determine gaps in employee training needs, and enhance communication vehicles between employees and customers.

PSC has also established a series of performance goals that focus on the total equation of cost to the customer. For example, we measure the factors that influence total cost of operations as well as demand for services. By tracking and analyzing this data, we are able to take a proactive approach to understanding what drives the prices customers pay for PSC services. It is essential that this be done across the organization in order for the PSC to run a fiscally sound enterprise and provide the best value to our customers. This is the cornerstone of the strategic goal of Excellent Resource Management.

Using these measures to identify successes and gaps, the PSC is better positioned to achieve the fifth strategic goal of Becoming the Benchmark for the Federal Shared Services Community. PSC has worked diligently for the past several years to reengineer processes, control costs, set service level expectations with customers, and develop its employees as customer service providers. The clear vision and purpose in each of these activities was to ensure that the PSC improve its service delivery approach so that customers and competitors in the marketplace recognize the PSC as a state of the art organization that is the provider of choice. PSC's intent is for competitors in both the public and private sectors to look to the PSC as the premier provider of administrative shared services and benchmark their approach, price, and service levels against those provided by PSC. This is a long range goal that requires a strict focus on continuous improvement, understanding of customer needs, and awareness of the market. In the short term, PSC will remain committed to performing their own benchmarking activities

to better understand how we compare to our competitors, which allows PSC leaders to make educated decisions that get them one step closer to the end goal of Becoming the Benchmark. Having performance results and benchmarking data accessible enables PSC to adjust to the ever-changing business context in which we operate and ultimately gives us the tools we need to reach the top of the market.

In addition, the performance goals that have been established have a direct link to PSC's efforts in implementing strategies related to the President's Management Agenda (PMA). For example, as a key measure related to the Strategic Management of Human Capital, PSC tracks employee satisfaction and uses this data to implement programs to improve human capital processes and capabilities. PSC is also committed to the PMA goal of Improving Financial Performance. A key measure is the PSC performance goal of achieving a clean audit opinion with no material weaknesses and reportable conditions. This PMA goal also sets expectations around cost management and PSC has two measures that specifically track intra-service costs and overhead costs to ensure that these costs are contained. In an effort to expand E-Government, PSC has begun to track the number of Department-wide consolidations that we participate in. Many of these initiatives are centered on implementing centralized e-Solutions that have an impact on multiple operating divisions, which in turn is expected to reduce costs across the Department. The Strategic Sourcing Program is one example of the Department achieving cost savings. By consolidating procurement activity across HHS to leverage purchasing power and reduce purchase costs associated with certain goods and services, the Department lowered overhead operating costs by \$2.4 million for FY 2005. By tracking our participation in Department-wide consolidations, PSC will demonstrate its commitment to ensuring HHS duplication of services Department-wide is limited and that administrative support services are delivered cost effectively.

For FY 2005, PSC successfully met or exceeded the targets for 3 of its 10 performance goals. Of the remaining 7 performance goals, 6 targets were not met and 1 was not measurable. In the area of market share expansion, PSC exceeded the target to acquire new customers. In the area of asset management, PSC maintained its budgeted FTE staffing levels and the draft audit report indicates that PSC has achieved an unqualified audit opinion with no new findings. PSC also succeeded in improving results for 2 of its performance goals. In the area of cost recovery, improvement was obtained with recovery at the cost center level improving by 4% over the prior year. While PSC fell short of achieving its timeliness and customer satisfaction targets, the results indicate that PSC worked hard in FY05 to improve the quality of the products and services it provides. We improved the results for our timeliness target by 1% over FY 2004. In addition, PSC came close to achieving its target to reduce overhead costs with the results for FY 2005 being 2% below the target. For the other performance goals that were not met, PSC is evaluating potential causes for the shortfalls and plans to implement actions plans where possible.

While PSC did not achieve all its performance goals for the past fiscal year, it made significant progress toward achieving its primary outcomes of quality delivery and cost effective operations.

## **Overview of PSC Budget Request**

In the FY 2007 performance budget request, PSC supports the objectives of the HHS Strategic Plan and the Secretary's 500-Day Plan by submitting a budget request that is responsible, performance driven, and focuses on fulfilling the mission of PSC as the shared services provider for HHS. Through the provision of administrative support services, PSC enables the HHS program agencies to focus on enhancing the health and well being of all Americans and supports the HHS strategic goal to achieve excellence in management practices.

The activities of the PSC are supported through the HHS Service and Supply Fund (SSF), under authority that was established by 42 USC 231. SSF provides a working capital fund for financing and accounting for business-type operations involving the provision of common services and commodities. It is governed by a Board of Directors. The products and services provided by the PSC are grouped into cost centers that are fully costed and managed as self-sustaining business lines. The actual cost of service provided is billed to the customers based upon a fee-for-service rate structure that is approved by SSF Board.

PSC's performance budget request for FY 2007 is \$650,909,000, which is an increase of \$41,011,000 above the FY 2006 budget request of \$609,898,000. This performance budget includes modest increases to allow PSC to engage in new business opportunities outside the Department thus increasing the PSC's revenue base and to support several Departmental or President's Management Agenda initiatives that PSC has been asked to perform. The increases in the FY 2007 performance budget include the following:

- \$25.5M increase for the full implementation of the Unified Financial Management System (UFMS) Operations & Maintenance (O&M) costs.
- \$1.5M for e-WITS Operations & Maintenance.
- \$1.5M for implementation of Homeland Security Presidential Directive 12 (HSPD-12) requirements.
- \$5.9M for new business external to the Department. The \$5.9M reflects anticipated new business for the Federal Occupational Health Service (FOHS) (\$5.2M) and anticipated new business to expand the Division of Cost Allocation's indirect cost negotiation services government-wide (\$0.7M).
- \$3.9M for the New York and Denver Cooperative Administrative Support Unit's (CASU) expanding customer base.
- \$2.7M for net operational increases. The \$2.7M reflects an increase of \$2.5M for pay, an increase \$0.09M for rent and a decrease of \$0.06M for miscellaneous.

**Expenses by Activity**  
**Dollars in Thousands**

	<u><b>FY 2005</b></u>		<u><b>FY 2006</b></u>		<u><b>FY 2007</b></u>	
	<u><b>FTE</b></u>	<u><b>Actual</b></u>	<u><b>FTE</b></u>	<u><b>Estimate</b></u>	<u><b>FTE</b></u>	<u><b>Estimate</b></u>
Administrative Operations Service	182	\$105,420	212	\$144,742	221	\$150,498
Financial Management Service	205	54,977	247	59,818	297	85,757
Federal Occupational Health Service	89	177,227	91	187,316	93	193,084
Human Resources Service	192	52,835	192	65,676	192	66,232
Strategic Acquisition Service	101	72,996	126	78,645	135	78,874
Business Technology Optimization <sup>1</sup>	-	-	-	23,105	-	23,412
Office of the Director <sup>2</sup>	14	-	25	-	25	-
Human Resources Centers	397	45,563	416	50,596	416	53,052
<b>TOTAL</b>	<b>1,180</b>	<b>\$509,018</b>	<b>1,309</b>	<b>\$609,898</b>	<b>1,379</b>	<b>\$650,909</b>

<sup>1</sup> FTEs for this activity during FY 2006 and FY 2007 are estimated at 83 and would be transferred from other Federal agencies or new hires. Funding and FTEs are contingent upon realizing this business activity.

<sup>2</sup> Expenses for the immediate Office of the Director have been distributed to all operating services.

## Revenue by Customer

PROGRAM SUPPORT CENTER FY 2006 REVENUE DISTRIBUTION (\$000)													
	ACF	AOA	AHRQ	CDC	CMS	FDA	HRSA	I.H.S.	NIH	SAMHSA	OS	OTHER	Totals
<b>Administrative Operations Service</b>													
Freedom of Information			54	54		54	54	54	54	54	54		\$ 434
Child Care Development		31				87	102		58	6	61	12	\$ 357
Business Support									14		19	138	\$ 172
Employee Related Programs	8	2	2	47	24	56	11	80	89	3	19		\$ 340
Board for Corrections			0	16	2	15	10	40	8		3	21	\$ 116
Personnel Security Operations	132	6	5				79			31	52	8	\$ 312
Division of Property Managemet	857	107	149	214	1,193	18,501	6,483	1,227	480	417	4,521	2,566	\$ 36,714
Division of Technical Service	204	140	571	368	226	9,947	3,320	963	21,433	2,874	2,763	269	\$ 43,077
Regions	942	65					422	97			1,742	-	\$ 3,269
CASU	91	0			15		2				8	59,834	\$ 59,950
<b>Sub-Total</b>	<b>\$ 2,233</b>	<b>\$ 351</b>	<b>\$ 781</b>	<b>\$ 700</b>	<b>\$ 1,459</b>	<b>\$ 28,660</b>	<b>\$ 10,483</b>	<b>\$ 2,462</b>	<b>\$ 22,137</b>	<b>\$ 3,386</b>	<b>\$ 9,242</b>	<b>\$ 62,848</b>	<b>\$ 144,742</b>
<b>Financial Management Service</b>													
Division of Cost Allocation	1,889	91	20	626	2,070	10	899	151	4,060	172	-	111	\$ 10,100
Division of Financial Management	3,705	543	377	280	154	338	4,615	9,448	571	809	3,945	8,044	\$ 32,827
Division of Payment Management	2,376	73	60	419	1,039	17	1,056	9	5,784	160	53	3,015	\$ 14,061
UFMS O&M									1,555				\$ 1,555
TMS (Placecard for e-Travel)	231	28	40				212			67	696		\$ 1,274
<b>Sub-Total</b>	<b>\$ 8,201</b>	<b>\$ 735</b>	<b>\$ 497</b>	<b>\$ 1,325</b>	<b>\$ 3,263</b>	<b>\$ 365</b>	<b>\$ 6,782</b>	<b>\$ 9,608</b>	<b>\$ 11,970</b>	<b>\$ 1,207</b>	<b>\$ 4,694</b>	<b>\$ 11,170</b>	<b>\$ 59,818</b>
<b>Federal Occupational Health</b>													
Clinical Services	169	21	29	397	175	1,036	65	34	72	154	617	121,279	\$ 124,050
Employee Assistance Program	34	4	7	108	150	257	41	396	35	13	97	40,984	\$ 42,126
Environmental Health Services				790		50		800			41	19,459	\$ 21,140
<b>Sub-Total</b>	<b>\$ 203</b>	<b>\$ 26</b>	<b>\$ 37</b>	<b>\$ 1,295</b>	<b>\$ 325</b>	<b>\$ 1,343</b>	<b>\$ 105</b>	<b>\$ 1,230</b>	<b>\$ 108</b>	<b>\$ 167</b>	<b>\$ 755</b>	<b>\$ 181,722</b>	<b>\$ 187,316</b>
<b>Human Resource Service</b>													
EEO Service	20	-	153	158	-	155	64	180	272	297	108	71	\$ 1,478
HHS Universtiy	257	20	75	1,355	777	1,438	503	2,038	5,082	258	446	321	\$ 12,570
Enterprise Applications Division	544	49	121	3,396	1,975	4,177	764	6,293	7,011	218	5,826	1,292	\$ 31,667
Division of Payroll	214	19	48	1,339	778	1,646	301	2,480	2,764	86	557	509	\$ 10,743
Commissioned Corp Support Services Group	-	-	-	-	-	-	-	-	-	-	5,020	4,198	\$ 9,218
<b>Sub-Total</b>	<b>\$ 1,035</b>	<b>\$ 88</b>	<b>\$ 397</b>	<b>\$ 6,248</b>	<b>\$ 3,531</b>	<b>\$ 7,416</b>	<b>\$ 1,632</b>	<b>\$ 10,991</b>	<b>\$ 15,130</b>	<b>\$ 859</b>	<b>\$ 11,958</b>	<b>\$ 6,391</b>	<b>\$ 65,676</b>
<b>Strategic Acquisition Service</b>													
Acquisitions Management Division	1,900	161	111	1,902	-	-	355	151	701	65	1,721	9,727	\$ 16,794
Strategic Acquisition Division	62	5			32	312	19	362	1,391	7		-	\$ 2,189
Supply Service Center (Perry Pt)				600		10	-	3,750	1,500			53,802	\$ 59,662
<b>Sub-Total</b>	<b>\$ 1,962</b>	<b>\$ 166</b>	<b>\$ 111</b>	<b>\$ 2,502</b>	<b>\$ 32</b>	<b>\$ 322</b>	<b>\$ 374</b>	<b>\$ 4,263</b>	<b>\$ 3,592</b>	<b>\$ 72</b>	<b>\$ 1,721</b>	<b>\$ 63,529</b>	<b>\$ 78,645</b>
<b>Business Technology Optimization</b>													
HR LoB												\$ 22,319	\$ 22,319
Technology											\$ 786	\$ -	\$ 786
<b>Sub-Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 786</b>	<b>\$ 22,319</b>	<b>\$ 23,105</b>
<b>PSC Total</b>	<b>\$ 13,634</b>	<b>\$ 1,366</b>	<b>\$ 1,823</b>	<b>\$ 12,069</b>	<b>\$ 8,611</b>	<b>\$ 38,106</b>	<b>\$ 19,375</b>	<b>\$ 28,553</b>	<b>\$ 52,936</b>	<b>\$ 5,692</b>	<b>\$ 29,155</b>	<b>\$ 347,979</b>	<b>\$ 559,302</b>
<b>Human Resource Centers</b>													
<b>Sub-Total</b>	<b>\$ 1,936</b>	<b>\$ 169</b>	<b>\$ 418</b>	<b>\$ 13,253</b>	<b>\$ 9,441</b>	<b>\$ 14,776</b>	<b>\$ 2,718</b>	<b>\$ 1,636</b>	<b>\$ 749</b>	<b>\$ 751</b>	<b>\$ 4,748</b>	<b>\$ -</b>	<b>\$ 50,596</b>
<b>Totals</b>	<b>\$ 15,571</b>	<b>\$ 1,535</b>	<b>\$ 2,241</b>	<b>\$ 25,322</b>	<b>\$ 18,052</b>	<b>\$ 52,882</b>	<b>\$ 22,093</b>	<b>\$ 30,189</b>	<b>\$ 53,686</b>	<b>\$ 6,443</b>	<b>\$ 33,903</b>	<b>\$ 347,979</b>	<b>\$ 609,899</b>

PROGRAM SUPPORT CENTER FY 2007 REVENUE DISTRIBUTION (\$000)													
	ACF	AOA	AHRQ	CDC	CMS	FDA	HRSA	I.H.S.	NIH	SAMHSA	OS	OTHER	Totals
<b>Administrative Operations Service</b>													
Freedom of Information	-	-	55	55	-	55	55	55	55	55	55	-	\$ 440
Child Care Development	-	31	1	1	-	89	104	1	59	6	62	-	\$ 354
Business Support	-	-	-	-	-	-	-	14	-	-	20	141	\$ 175
Employee Related Programs	8	2	2	48	24	57	11	82	90	3	19	-	\$ 346
Board for Corrections	-	-	-	17	2	15	10	41	9	1	3	22	\$ 120
Personnel Security Operations	134	6	5	-	-	-	81	-	-	31	53	8	\$ 318
Division of Property Managemet	873	109	152	218	1,216	18,860	6,608	1,250	490	425	4,609	2,714	\$ 37,524
Division of Technical Service	208	143	582	375	230	10,140	3,384	982	21,849	2,930	2,816	274	\$ 43,912
Regions	960	66	-	-	-	-	430	99	-	-	1,776	-	\$ 3,331
CASU	92	-	-	-	15	-	2	-	-	-	8	63,861	\$ 63,978
<b>Sub-Total</b>	<b>\$ 2,275</b>	<b>\$ 357</b>	<b>\$ 797</b>	<b>\$ 714</b>	<b>\$ 1,488</b>	<b>\$ 29,215</b>	<b>\$ 10,685</b>	<b>\$ 2,524</b>	<b>\$ 22,551</b>	<b>\$ 3,451</b>	<b>\$ 9,421</b>	<b>\$ 67,020</b>	<b>\$ 150,498</b>
<b>Financial Management Service</b>													
Division of Cost Allocation	1,978	95	21	656	2,168	11	941	159	4,252	180	-	118	\$ 10,579
Division of Financial Management	3,881	568	394	293	161	354	4,833	9,895	598	848	4,132	7,667	\$ 33,624
Division of Payment Management	2,489	77	63	439	1,088	18	1,106	10	6,058	167	55	3,160	\$ 14,730
UFMS O&M	1,109	221	441	3,472	391	3,163	1,928	8,800	3,566	452	1,947	-	\$ 25,490
TMS (Placecard)	241	29	42	-	-	-	222	-	-	70	728	2	\$ 1,834
<b>Sub-Total</b>	<b>\$ 9,698</b>	<b>\$ 990</b>	<b>\$ 961</b>	<b>\$ 4,860</b>	<b>\$ 3,808</b>	<b>\$ 3,546</b>	<b>\$ 9,030</b>	<b>\$ 18,864</b>	<b>\$ 14,474</b>	<b>\$ 1,717</b>	<b>\$ 6,862</b>	<b>\$ 10,947</b>	<b>\$ 85,757</b>
<b>Federal Occupational Health</b>													
Clinical Services	175	22	30	409	181	1,068	67	35	75	159	636	125,014	\$ 127,870
Employee Assistance Program	35	4	8	111	155	265	42	408	36	14	100	42,246	\$ 43,424
Environmental Health Services	-	-	-	814	-	52	-	825	-	-	42	20,058	\$ 21,791
<b>Sub-Total</b>	<b>\$ 209</b>	<b>\$ 26</b>	<b>\$ 38</b>	<b>\$ 1,335</b>	<b>\$ 335</b>	<b>\$ 1,385</b>	<b>\$ 109</b>	<b>\$ 1,267</b>	<b>\$ 111</b>	<b>\$ 172</b>	<b>\$ 778</b>	<b>\$ 187,318</b>	<b>\$ 193,084</b>
<b>Human Resource Service</b>													
EEO Service	20	-	154	159	-	156	65	181	274	299	113	67	\$ 1,489
HHS University	259	20	75	1,366	784	1,449	507	2,054	5,123	260	450	364	\$ 12,709
Enterprise Applications Division	548	50	122	3,423	1,990	4,210	770	6,342	7,067	220	5,872	1,302	\$ 31,917
Division of Payroll	216	20	48	1,349	785	1,659	304	2,500	2,786	87	561	513	\$ 10,827
Commissioned Corp Support Services Group	-	-	-	-	-	-	-	-	-	-	5,060	4,230	\$ 9,290
<b>Sub-Total</b>	<b>\$ 1,043</b>	<b>\$ 89</b>	<b>\$ 400</b>	<b>\$ 6,297</b>	<b>\$ 3,559</b>	<b>\$ 7,475</b>	<b>\$ 1,646</b>	<b>\$ 11,077</b>	<b>\$ 15,249</b>	<b>\$ 866</b>	<b>\$ 12,056</b>	<b>\$ 6,476</b>	<b>\$ 66,232</b>
<b>Strategic Acquisition Service</b>													
Acquisitions Management Division	1,906	162	110	1,908	-	0	356	152	703	66	1,725	9,754	\$ 16,842
Strategic Acquisition Division	22	4	4	238	27	263	16	305	1,173	6	22	-	\$ 2,079
Supply Service Center (Perry Pt)	-	-	-	602	-	10	-	3,761	1,504	-	-	54,076	\$ 59,953
<b>Sub-Total</b>	<b>\$ 1,928</b>	<b>\$ 166</b>	<b>\$ 115</b>	<b>\$ 2,747</b>	<b>\$ 27</b>	<b>\$ 273</b>	<b>\$ 371</b>	<b>\$ 4,218</b>	<b>\$ 3,380</b>	<b>\$ 71</b>	<b>\$ 1,747</b>	<b>\$ 63,830</b>	<b>\$ 78,874</b>
<b>Business Technology Optimization</b>													
HR LoB												22,616	\$ 22,616
Technology											796	-	\$ 796
<b>Sub-Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 796</b>	<b>\$ 22,616</b>	<b>\$ 23,412</b>
<b>PSC Total</b>	<b>\$ 15,153</b>	<b>\$ 1,628</b>	<b>\$ 2,311</b>	<b>\$ 15,953</b>	<b>\$ 9,217</b>	<b>\$ 41,894</b>	<b>\$ 21,841</b>	<b>\$ 37,951</b>	<b>\$ 55,765</b>	<b>\$ 6,278</b>	<b>\$ 31,661</b>	<b>\$ 358,207</b>	<b>\$ 597,857</b>
<b>Human Resource Centers</b>													
<b>Sub-Total</b>	<b>\$ 2,030</b>	<b>\$ 178</b>	<b>\$ 439</b>	<b>\$ 13,896</b>	<b>\$ 9,900</b>	<b>\$ 15,493</b>	<b>\$ 2,850</b>	<b>\$ 1,715</b>	<b>\$ 785</b>	<b>\$ 788</b>	<b>\$ 4,978</b>	<b>\$ -</b>	<b>\$ 53,052</b>
<b>Totals</b>	<b>\$ 17,184</b>	<b>\$ 1,806</b>	<b>\$ 2,749</b>	<b>\$ 29,849</b>	<b>\$ 19,117</b>	<b>\$ 57,387</b>	<b>\$ 24,691</b>	<b>\$ 39,666</b>	<b>\$ 56,551</b>	<b>\$ 7,065</b>	<b>\$ 36,639</b>	<b>\$ 358,207</b>	<b>\$ 650,909</b>

**Budget Exhibits**

## Summary of Changes

### SUMMARY OF CHANGES

#### Rationale for the Budget

FY 2006 Estimate, per FY 2006 Congressional Justification	542,193,000
Net Change, FY 2006	67,705,000
FY 2006 Revised Estimate	609,898,000
Net Change, FY 2007	41,011,000
FY 2007 Estimate	650,909,000

#### Details, FY 2006 Net Change:

HR LoB	22,300,000
FOH New business outside of the Department	13,300,000
CASU expanding customer base	58,154,000
SAS expanding Acquisition customer base	6,500,000
External Customers purchasing supplies directly	(33,000,000)
Reduction due to Payroll Transition to DFAS	(2,400,000)
New Legislative or OMB Requirements (A-123 & Workforce Flexibility Act 2004)	2,100,000
New service line of IT Consulting for the Department	1,200,000
Miscellaneous Decreases	(449,000)
Total Change, FY 2006	67,705,000

#### Details, FY 2007 Net Changes:

CASU expanding customer base	3,901,000
Pay and Other Increases	2,606,000
Rent	740,000
Misc.	(626,000)
Anticipated New Business (FOH \$5.2 & FMS \$0.7)	5,900,000
UFMS O & M transition	25,490,000
e-WITS O & M	1,500,000
New legislative HSPD-12	1,500,000
Total Change, FY 2007	41,011,000



## Budget Authority by Activity

### DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM SUPPORT CENTER

#### Budget Authority by Activity

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate	Increase or Decrease
Expenses.....	\$509,018,000	\$609,898,000	\$650,909,000	\$41,011,000
FTE.....	1,180	1,309	1,379	70
Administrative Operations Service	105,420,000	144,742,000	150,498,000	5,756,000
Financial Management Service.....	54,977,000	59,818,000	85,757,000	25,939,000
Federal Occupational Health.....	177,227,000	187,316,000	193,084,000	5,768,000
Human Resources Service.....	\$52,835,000	\$65,676,000	\$66,232,000	\$556,000
Strategic Acquisition Service	72,996,000	78,645,000	78,874,000	229,000
Business Technology Optimization	-	23,105,000	23,412,000	307,000
Human Resources Centers.....	45,563,000	50,596,000	53,052,000	2,456,000
TOTAL.....	\$509,018,000	\$609,898,000	\$650,909,000	\$41,011,000

## Budget Authority by Object

### DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM SUPPORT CENTER EXPENSES BY OBJECT

	FY 2006 Estimate	FY 2007 Estimate	Increase or Decrease
Full-time equivalent employment.....	1,309	1,379	70
Full equivalent of overtime & holiday hours.....	11	11	0
Average SES level.....	2.50	2.50	0
Average SES salary.....	\$153,411	\$155,949	\$2,538
Average GS grade.....	11.15	11.16	0.01
Average GS salary.....	75,321	76,567	1,246
Average CO grade.....	4.71	4.71	0.00
Average CO salary.....	98,253	99,878	1,625
Average Wage Graded grade.....	5.06	5.06	0
Average Wage Graded salary.....	59,024	60,000	976
<b>Personnel Compensation:</b>			
Full-Time Permanent (11.1).....	\$92,104,400	\$93,183,700	1,079,300
Other than Full-Time Permanent (11.3).....	5,286,800	5,548,300	261,500
Other Personal Compensation (11.5).....	2,710,500	2,845,500	135,000
Military Personnel (11.7).....	5,421,000	5,691,000	270,000
Subtotal, Personnel Compensation.....	105,522,700	107,268,500	1,745,800
Civilian Personnel Benefits (12.1).....	29,414,100	30,871,300	1,457,200
Military Personnel Benefits (12.2).....	2,710,500	2,845,500	135,000
Benefits to Former Personnel (13.0).....	673,000	717,000	44,000
Subtotal, Pay Costs .....	138,320,300	141,702,300	3,382,000
Travel (21.0).....	3,421,000	3,648,000	227,000
Transportation of Things (22.0).....	3,141,000	3,349,000	208,000
Rental Payments to GSA (23.1).....	13,180,000	14,052,000	872,000
Communications, Utilities, and Miscellaneous Charges (23.3).....	48,793,000	52,022,000	3,229,000
Printing and Reproduction (24.0).....	1,234,000	1,315,000	81,000
<b>Other Contractual Services:</b>			
Advisory and Assistance Services (25.1).....	35,614,000	37,970,000	2,356,000
Other Services (25.2).....	204,247,700	224,798,700	20,551,000
Purchases from Govt. Accts. (25.3).....	36,511,000	38,927,000	2,416,000
Operation and Maintenance of Facilities (25.4).....	24,621,000	26,250,000	1,629,000
Medical Care (25.6).....	36,000,000	37,000,000	1,000,000
Storage and Maintenance (25.7).....	10,880,000	11,600,000	720,000
Subtotal, Other Contractual Services.....	347,873,700	376,545,700	28,672,000
Supplies and Materials (26.0).....	49,560,000	53,611,000	4,051,000
Equipment (31.0).....	4,375,000	4,664,000	289,000
Subtotal, Non-Pay Costs.....	471,577,700	509,206,700	37,629,000
Total, Reimbursable Obligations.....	609,898,000	650,909,000	41,011,000

## Salaries and Expenses

### DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM SUPPORT CENTER SALARIES AND EXPENSES

Object Class	FY 2006 Estimate	FY 2007 Estimate	Increase or Decrease
<b>Personnel Compensation:</b>			
Full-Time Permanent (11.1).....	\$92,104,400	\$93,183,700	1,079,300
Other than Full-Time Permanent (11.3).....	5,286,800	5,548,300	261,500
Other Personal Compensation (11.5).....	2,710,500	2,845,500	135,000
Military Personnel (11.7).....	5,421,000	5,691,000	270,000
Subtotal, Personnel Compensation.....	105,522,700	107,268,500	1,745,800
Civilian Personnel Benefits (12.1).....	29,414,100	30,871,300	1,457,200
Military Personnel Benefits (12.2).....	2,710,500	2,845,500	135,000
Benefits to Former Personnel (13.0).....	673,000	717,000	44,000
Subtotal, Pay Costs.....	138,320,300	141,702,300	3,382,000
Travel (21.0).....	3,421,000	3,648,000	227,000
Transportation of Things (22.0).....	3,141,000	3,349,000	208,000
Communications, Utilities, and Miscellaneous Charges (23.3).....	48,793,000	52,022,000	3,229,000
Printing and Reproduction (24.0).....	1,234,000	1,315,000	81,000
<b>Other Contractual Services:</b>			
Advisory and Assistance Services (25.1).....	35,614,000	37,970,000	2,356,000
Other Services (25.2).....	204,247,700	224,798,700	20,551,000
Purchases from Govt. Accts. (25.3).....	36,511,000	38,927,000	2,416,000
Operation and Maintenance of Facilities (25.4).....	24,621,000	26,250,000	1,629,000
Medical Care (25.6).....	36,000,000	37,000,000	1,000,000
Storage and Maintenance (25.7).....	10,880,000	11,600,000	720,000
Subtotal, Other Contractual Services .....	347,873,700	376,545,700	28,672,000
Supplies and Materials (26.0).....	49,560,000	53,611,000	4,051,000
Subtotal, Non-Pay Costs .....	454,022,700	490,490,700	36,468,000
Total, Reimbursable Obligations.....	592,343,000	632,193,000	39,850,000

**Narrative by Activity**

## **Administrative Operations Service**

Authorizing Legislation - 42 USC 231

	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>	<b><u>FY2007</u></b>
Expenses	\$105,420,000	\$144,742,000	\$150,498,000
FTE	182	212	221

FY 2007 Authorization .....Indefinite

### **Statement of Budget Request**

The estimated FY 2007 budget for AOS is \$150,498,000, to provide administrative operations services as described below.

### **Program Description**

The Administrative Operations Service (AOS) provides a wide range of administrative and technical services to customers within the Department and to other federal agencies, as well as corporate support to the PSC. The mission of AOS is to provide high-quality administrative support services at competitive prices by capitalizing on its expertise and leveraging economies of scale. Major service areas in AOS include: *Property Management*, including facilities management, space leasing, disposition of surplus federal property, and logistics services, including receiving, asset management, storage and disposal; *Technical Support*, including telecommunications, visual communications, printing and publications, reprographics, conference facilities, and mail and messenger services; and *Other Administrative & Corporate Support*, including Freedom of Information Act services, regional administrative support, Cooperative Administrative Support Unit, personnel security, ethics, competitive sourcing, and the PSC Business Office.

### **Property Management**

The AOS Division of Property Management (DPM) mission includes facilities management, space leasing, disposition of surplus federal property, and logistics services, including receiving, asset management, storage and disposal.

DPM has delegated authority from GSA to manage 1.4 million square feet in Montgomery County. An automated security access system serves many of the facilities in the area. Safety and security initiatives have been implemented in the Parklawn Building, such as a Shelter-In-Place Plan, Continuity of Operations (COOP) Plan and an emergency notification system utilizing the HHS Octel network, which alerts COOP members of emergencies. Perimeter security around the Parklawn Building includes raised berms, bollards, and reinforced railings. DPM maintains an aggressive energy

management program, which has resulted in utility company rebates and savings that have been, in turn, reinvested in additional energy conservation projects and helped offset rising utility rates. The DPM recycling program continues to add more materials for collection and reuse. Their administration of the Department's Transit Subsidy Program has grown to include over 7,500 customers and media value of over \$5 million a year. A Computer Aided Design (CAD) Program is used to process space alteration projects through the contract of services. It tracks the number of each line item used from the Unit Price Agreement (UPA) each year so that all negotiations on a succeeding UPA are based on accurate historical data. The system captures space assignments from which rent charges are based. DPM administers the Surplus Federal Real Property Assistance Program for the Department and has transferred hundreds of surplus properties to states and local government agencies and private nonprofit organizations for use as laboratories, health clinics, water and wastewater systems, facilities to assist the homeless, and many other public health uses. As the Federal Government continues to release its unneeded real property, business will continue to grow.

DPM operates a 105,000 square foot Personal Property Facility (PPF) in Gaithersburg, Maryland which offers secure storage and climate controlled areas to provide for a diversity of logistics services. The PPF is equipped with a radio frequency online automated inventory control system, state-of-the-art racking, and specialized material handling equipment. The inventory control system recently converted to a fully-accredited and certified secure modern, Oracle database, provides life cycle inventory management information, property disposition tracking, and ensures optimal space utilization. An Internet web site provides customers the opportunity to request personal property management services, product distribution services and contract labor services electronically, around the clock and around the country. The web ordering system interfaces with other automated systems to provide paperless transactions, track workload data and eliminate duplication of data input. An automated carousel system, which interfaces with the web ordering system and an automated mail/shipping system, supports DPM's forms and publications distribution business. An automated interface with the software used by the PSC acquisitions office significantly reduces redundant purchase data entry. When funding becomes available, a similar interface may be developed with the HHS Unified Financial Management System (UFMS), leading to an eventual "cradle to grave" management approach for all assets.

### **Technical Support**

The AOS Division of Technical Support (DTS) mission includes telecommunications, visual communications, printing and publications, reprographics, conference facilities, and mail and messenger services.

The DTS Telecommunications staff provides cost-effective, responsive, and flexible telecommunication's products and services for HHS within the National Capital Region. They provide strategic coordination, integration of voice, data, and video communications via telephone network facilities, and implement major network changes to assure cost efficient, technologically current services. Specialists establish and

manage partnerships with customers and vendors, and serve as liaisons with customer telecommunications managers. These specialists are also responsible for the voice mail systems, maintenance to the desktop; management and oversight of domestic and international long distance services including domestic and international calling cards, and 800 services. Centralized billing for telecommunications includes high level monitoring of vendor invoices to ensure accuracy and contract compliance, and a central focus dedicated to providing error-free bills for all customers.

The DTS visual communications staff works with graphic design contractors as partners in the process of delivering high quality media services to customers. DTS staff possess expertise in interacting with customers in both concept and administrative functions, allowing contractors to perform their specialty without the hindrance and distraction of this facet of the job, ultimately saving the customer time and money. DTS offers a full range of conference services to customers of its 17-room conference facility. This facility offers a professional staff of audio visual technicians who provide services that include the latest technology for videoconferencing, satellite downlink broadcasts, web casting, and distance learning. In addition, digital projection systems for use with computer-generated, large screen presentations provide customers with the latest high resolution technology needed in medical seminars and meetings for health and drug research professionals.

DTS provides postal metering and delivery of mail, as well as a wide range of printing procurement services for customers of HHS. It sorts, meters, ships, and delivers mail for HHS customers located both at the Southwest Complex in Washington, DC and the Parklawn Complex in suburban Maryland. DTS is also responsible for the development, management, and execution of an ongoing agency-wide printing procurement and product distribution program. This includes providing technical expertise, direction, procurement, and execution of all aspects of the federal printing and publishing program. Branch specialists are responsible for maintaining an agency-wide mail management program which includes the yearly estimating, verification, and reporting of HHS' actual mail expenditures and executing and maintaining a Department-wide forms management program.

### **Other Administrative & Corporate Support**

Through the PSC Business Office, Division of FOIA Operations, and Office of the Director, AOS also provides the following services to customers and corporate functions for the PSC:

**Business Services** – The PSC Business Office (PBO) is responsible for a variety of business management support functions for the PSC, including budget formulation and execution, strategic and business planning, performance management, service level agreements, internal and external communications, organizational structures, and business process improvement. The PBO maintains the PSC Revenue, Invoicing, and Cost Estimation System (PRICES), an automated business management system with modules for costing & pricing, customer invoicing, and management reporting, which

provides timely and detailed billing information to customers via the web. This system is integrated with the accounting system, allowing real-time visibility of Net Operating Result (NOR) information, and evaluation of actual revenue against actual costs by business line.

**Child Care Coordination** – PSC/AOS provides contract oversight to the center which provides on-site child care for children of HHS employees working in or near the Parklawn Building in Rockville, MD. This oversight ensures an appropriate curriculum, adequate trained staff, and efficient administration of the center. The office also monitors the center’s accreditation and compliance with the licensing regulations. AOS also currently manages the employee child care subsidy program for PSC, AOA, and HHS/OS components.

**Competitive Sourcing** – The PSC Office of Competitive Sourcing manages all aspects of the program for the PSC, ensuring compliance with OMB Circular A-76 and meeting all goals and objectives of the Department and President’s Management Agenda. Key functions include preparation of the PSC FAIR Act Inventory, conduct of competitive sourcing studies, and monitoring of in-house win Most Efficient Organization (MEO) performance.

**Cooperative Administrative Support Unit (CASU)** – PSC/AOS is the Lead Agency for the Mid-America CASU, in Kansas City, MO; the Mid-Atlantic CASU, in NY; and the Rocky Mountain Region CASU, in Denver, CO. The CASUs provide consolidated services to its customers in a cost effective and customer oriented manner, thus reducing redundancies and achieving economies of scale. The CASUs are governed by a Board of Directors made up of heads of its local customer agencies. The CASUs provide mail, contract staffing, copier management, copy paper, maintenance and repair, labor and moving, IT training, office supply and forms distribution, procurement, hearing impaired interpreter, bus pass, and conference room scheduling services to over 100 customers across the country.

**Freedom of Information Act (FOIA) Services** – AOS/FOIA provides services to the Public Health Service agencies and the PSC under the provisions of the FOIA. Services include the processing of all FOIA requests involving more than one agency or the PSC, processing all administrative appeals for signature by the Deputy Assistant Secretary for Public Affairs, working with the Office of the General Counsel to respond to litigation filed under the FOIA, and providing Department-wide training and consultation on FOIA matters. AOS/FOIA also provides Privacy Act and Records Management services to the PSC.

**Personnel Security & Ethics** – The PSC Personnel Security and Ethics Office provides the full scope of personnel security services for the PSC and several of the HHS small operating divisions. Electronic fingerprinting equipment is used to improve quality and timeliness of pre-employment checks. The services were recently expanded to include



a la carte services such as Special Agreement Checks and personnel security consultation, in addition to processing background investigations. The office also facilitates the PSC Ethics Program, under the direction of the PSC Designated Ethics Counselor.

**Regional Administrative Support** – AOS provides administrative services to HHS staff in the ten regional offices in Boston, New York, Philadelphia, Atlanta, Chicago, Dallas, Kansas City, Denver, San Francisco and Seattle. Services offered include facility, space planning, personal property, telecommunications, mail, office automation, and miscellaneous administrative support services. Under Circular A-76 Circular, PSC outsourced these services in FY 2002, achieving significant cost savings and improvements in service levels. PSC had 60 FTE's assigned to these services, and replaced them with a contractor. The FY 2005 net savings as a result of outsourcing is estimated at \$3,466,320.

### **AOS Performance Analysis**

FY 2005 was a productive and successful year for the Administrative Operations Service. AOS' greatest performance accomplishment is without a doubt its continued provision of the critical – and often unnoticed – services it provides its customers every single day. AOS continues to ensure that the lights are on, the buildings are safe, the telephones work, the mail is delivered, and the trash is collected, and so on. These services are often only noticed when they don't work – and AOS has ensured that they not only work, but that they work well. In addition to that significant accomplishment, the following are highlights of AOS' accomplishments and initiatives undertaken in FY 2005:

**Performance Management** – AOS continues to manage the performance management program for the entire PSC, including the collection of Key Performance Indicator (KPI) data, informing decision-makers, and refining approaches for analysis of the data and taking corrective action to address areas for improvement. AOS maintains several avenues for customer feedback, including paper and electronic comment cards, PRICES On-Line Viewer Feedback, and an annual customer survey. In addition, AOS has been the only PSC Service that has consistently met its timeliness and quality standards, month after month. These efforts collectively support the initiative to integrate budget and performance (Ties to PMA – Budget and Performance Integration).

**Communications** – AOS established a PSC communications function in the Business Office, charged with improving communications to employees, customers, and other stakeholders. An Internal Communications Plan was developed and implemented that includes new employee orientations, a monthly automated communication ("PSC e-News"), standard broadcast messages, employee surveys, and Intranet content management, all of which were implemented or are the process of being established. An External Communications Plan was also developed that involves brand management, marketing, customer surveys, Internet content management, and customer relationship management. These initiatives will further increase employee and customer satisfaction through strategic and timely communication (Ties to PSC Goal – Excellent Communication).

**Competitive Sourcing** – AOS continued to support the Department’s Green Plan, a strategic competitive sourcing plan designed to keep a score of “green” on OMB’s PMA scorecard. PSC supports a green rating by successfully meeting the OMB mandated standards set forth for the competitive sourcing initiative. Over the last three fiscal years PSC has competed a total of 160 FTEs. In FY 2003, 60 FTEs were competed resulting in an estimated savings of \$867,000. PSC competed 20 FTEs in FY 2004 that resulted in an estimated savings of \$1,992,000. For FY 2005, the Office managed a standard competition comprised of 79 FTE of the information technology and operations systems support functions of the Human Resources Service, Enterprise Applications Division. This competition was completed on September 9, 2005 in accordance with PSC’s approved FY 2005 Competitive Sourcing Plan. This was the largest single study in the PSC to date. As a result of the competition, the services studied will be retained in house for performance by the Enterprise Applications Division, the government’s Most Efficient Organization (MEO). The total estimated savings resulting from the FY 2005 EAD competition over the entire performance period of 4.5 years (6 month base year plus 4 12-month option years) is \$14,636,844. This represents an estimated average annual savings of \$3,252,632. The total estimated savings is the difference between the Agency Tender’s total cost excluding the Phase-In Period cost (6 months) and the organization’s total baseline cost at the time the study was publicly announced. For FY 2006, PSC is conducting five streamlined studies totaling 58 FTEs, meeting the Department’s Green Plan for competitive sourcing (Ties to PMA – Competitive Sourcing).

**Asset Management System Consolidation** – AOS has taken and continues to play a leadership role in implementing the Department’s effort to consolidate personal property management information systems. Records from two agencies, the Centers for Medicare and Medicaid Services and the Indian Health Service have been migrated, in part or all, to a state-of-the-art “Sunflower” Asset Management System managed by the Division of Property Management’s (DPM) Logistics Services Branch (LSB). DPM/LSB led HHS’ planning for consolidation and transition, prepared its hardware and software to receive the additional customer records and has commenced the migration of asset records from legacy systems. (Ties to PSC Measure – Participate in Department-wide Consolidations).

**Parklawn Building Replacement** – AOS chairs the recently convened Parklawn Steering Committee, charged with coordinating with GSA on identification and leasing of a new location for tenants of the building, upon the expiration of the current lease, in 2010. The Division of Property Management worked with GSA to complete a macro requirements survey and a review of potential real estate solutions and will continue to support GSA’s development of a Lease Prospectus for submission to Congress, planning design and fit-out and eventual moves.

**Management Information Tracking Technical Services (MITTS) System** – The Division of Technical Service fully deployed the MITTS system as another means to improve the quality of service to its customers. The system is utilized by cost centers to electronically track orders from time of receipt to completion. This record of order requests has numerous employee and customer-friendly features such as intelligent

procurement and shipping forms, automated emails informing customers of order status throughout the process, future migration to E-Gov sites, electronic access from multiple locations, and the ability to accept and export data electronically from related systems.

**Personnel Security** – The Personnel Security Office fielded digital fingerprinting devices that allow direct digital capture of fingerprints and digitization of paper fingerprints. The system has artificial intelligence built-in that assesses the quality of the prints to ensure they will be classifiable, and the electronic transmission ensures that the FBI Criminal Records check results will be available within three workdays. Since installation, 100% of submitted prints have been classifiable. In addition, information technology security procedures require that the FBI Criminal Records check be acceptable before access is given to a government database. The rapid turnaround has allowed critical-need contractors to have access to databases 30 – 45 days earlier than before to support critical enterprise systems such as UFMS. In addition, the office’s efficient and effective support of background investigations has resulted in several new customers requesting support and positions the PSC well for a major role in the Department’s implementation of Homeland Security Presidential Directive (HSPD) -12.

**FOIA Backlog** – The Freedom of Information Act (FOIA) Office was able to close out all pending cases that were received in prior fiscal years. As such, the Office’s backlog is current to FY 2005. In addition, the office was able to close out all pending FY 2002 and FY 2003 administrative appeals, leaving only pending appeals from the prior year. These are major milestones for the FOIA Office and reflect the diligence and hard work of the office staff.

**Surplus Federal Property Assistance Program** - During FY 2005, the Division of Property Management (DPM) transferred 8 homeless properties and 2 health properties for a total of 86 buildings, 66+ acres with an acquisition value of \$2,880,468. Additionally, a new initiative to implement a permanent supportive housing program for the homeless is underway. On September 13, 2005, the Secretary announced that in response to both the Department’s goal of ending chronic homelessness and the needs of communities that permanent supportive housing will be considered as an eligible use under Title V of the McKinney-Vento Homeless Assistance program. Procedures to implement this new initiative will be developed following the public notice/comment process and final approval. By administering this program, DPM’s efforts support the Department’s goal to improve the economic and social well-being of individuals, families, and communities, especially those most in need (Ties to HHS Strategic Goal 6).

Performance Goal	Results	Context
Achieve timeliness targets – percent of services achieving timeliness targets (Goal 1, page 57)	For FY 2005, PSC met timeliness standards 92% of the time. AOS contributed significantly to this result by AOS cost centers meeting their timeliness standards 95% of the time.	Timeliness standards exist to set expectations with customers and establish performance accountability.

Achieve customer satisfaction targets – percent of customers responding to PSC comment cards indicate excellent/good ratings for satisfaction of services (Goal 2, page 57)	For FY 2005, PSC achieved a satisfaction rating of 87%. AOS contributed to this rating by achieving a 94% customer satisfaction rating at the service level.	Customers provide feedback through online surveys indicating their level of satisfaction with services rendered. PSC uses feedback to ensure that customers are satisfied and to identify shortcomings that must be addressed.
Contribute to the Department's administrative reduction goals (Goal 5b, page 62, Goal is being dropped in FY 2007)	PSC led the implementation of the Department-wide Asset Management System, reducing redundancies and costs across the Department. The implementation has been completed for IHS Headquarters and CMS with other implementations planned across HHS in FY 2006, such as CDC in Q1. Exact savings will not be known until the implementations have been completed.	Elimination of duplication of administrative functions, processes, and systems results in cost savings.

### **Rationale for the Budget Request**

The FY 2007 expenses for the AOS are estimated at \$150,498,000, a net increase of \$5,756,000 from FY 2006 based on \$3,901,000 to expand the CASU customer base, \$1,500,000 for the implementation of HSPD-12, \$330,000 for pay increases, \$300,000 for rent increases and a miscellaneous decrease of \$275,000.

## **Financial Management Service**

Authorizing Legislation - 42 USC 231

	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>	<b><u>FY2007</u></b>
Expenses	\$54,977,000	\$59,818,000	\$85,757,000
FTE	205	247	297

FY 2007 Authorization.....Indefinite

### **Statement of Budget Request**

The estimated FY 2007 budget for FMS is \$85,757,000, to provide financial management services as described below.

### **Program Description**

The Financial Management Service (FMS) serves as a major part of the foundation of the Department's finance and accounting operations through the provision of accounting and fiscal services, grant disbursement management services, debt management services, and indirect cost rate negotiation and approval services for departmental and other federal grant and program activities. FMS also provides fiscal advice, technical and policy guidance, and assists in implementing new initiatives aimed at assuring compliance with regulatory requirements. The mission of FMS is to provide high-quality financial management services at competitive prices. This is accomplished through the provision of centralized products and services that focus on timely and accurate service delivery.

### **Payment Management**

The Division of Payment Management (DPM) provides a centralized electronic funding and cash management service to all organizations receiving HHS grants and contracts, and for organizations funded by 12 other federal agencies. In addition to automated payments, DPM monitors funds in the hands of grant recipients, provides debt management services in the form of debt collection, and enforcement and the collection of over-advanced amounts.

DPM functions, as directed by OMB, as a Federal government central collection point for interest earned on un-dispersed grant funds. Other types of interest collections are processed by the Debt Collection Center within the FMS Division of Financial Operations.

DPM operates and maintains the Payment Management System (PMS). This system is capable of receiving automated or manual payment requests, editing them for accuracy and content, batching them for forwarding to the Federal Reserve Bank for payment, and recognizing and posting them to the appropriate general ledger accounts.

On-line inquiry capabilities allow all PMS users and clients to determine the status of their respective accounts on a real time basis. Timing and amounts of payments can be checked, balances can be verified, collection information can be confirmed and funding levels and grant award amounts can be verified. Access can be achieved with computers by dial-up, or through the DPM home page on the Internet.

### **Financial Operations**

The Division of Financial Operations (DFO) provides full accounting and fiscal services for the PSC and several other HHS agencies, including the Office of the Secretary (OS), Administration for Children and Families (ACF), Administration on Aging (AoA), Indian Health Service (IHS), Health Resources and Services Administration (HRSA), Substance Abuse and Mental Health Services Administration (SAMHSA), and the Agency for Healthcare Research and Quality (AHRQ).

All DFO accounting and financial management systems all comply with generally accepted accounting principles. In addition, DFO adheres to federal fiscal laws and regulations mandated by the General Accounting Office (GAO), OMB, General Services Administration (GSA), and the Department of the Treasury (Treasury). These federal agencies require periodic fiscal reporting in various forms, including financial statements that are subject to independent audits.

The major statutes that govern the DFO operations include but are not limited to: Chief Financial Officers Act of 1990, Certifying Officers Act of 1941, Prompt Payment Act of 1989, Federal Managers' Financial Integrity Act of 1982, Federal Financial Management Improvement Act of 1996, Debt Collection Improvement Act of 1996, Government Performance and Results Act of 1993, and the Government Management Reform Act of 1994. The DFO also follows OMB Circular A-11 instructions on budget execution under existing federal laws.

The proprietary and budgetary accounting principles are applied to appropriations, allotments and allowances in processing cash receipts, recording purchases (obligations), receiving (accruals), disbursements, payroll, and inventory control. All obligations recorded in the accounting system by DFO follow the GAO guidelines published in the Principles of Federal Appropriations Law.

The DFO is designated the Debt Collection Center for HHS. The services provided include day-to-day interaction with the Department of Justice (DOJ) and Treasury in successfully collecting overdue accounts. Collections are deposited within 24 hours to either the Treasury or appropriate agency account.

The DFO refers eligible Health Professions debt to the Office of the Inspector General (OIG) for exclusion from participation in Medicare. Prompt, accurate, effective collection and deposit of funds owed to the Federal Government is essential to fulfillment of public financial and program objectives. Timely exclusion from federally supported

Medicare reimbursement for services has been highly effective in achieving compliance from medical professionals who fail to meet legal debt obligations to the Federal Government.

The DFO records all obligations into the accounting system, based on procurement documents issued by authorized contracting officers and purchasing agents. These obligation transactions update the budgetary accounts, and weekly reports are produced for monitoring by agency budget officers.

The DFO provides full interagency accounting services via electronic communications through the Treasury Intra-governmental Payment and Collection System (IPAC).

The DFO furnishes fiscal advice, and provides technical and policy guidance to headquarters program offices and field accounting activities. Additionally, DFO prepares auditable financial statements and reports for internal and external use.

### **Cost Allocation**

The Division of Cost Allocation (DCA) is the third major component of FMS. DCA reviews, negotiates, and approves indirect cost rates, facilities and administrative cost rates, state and local government cost allocation plans, public assistance cost allocation plans, research patient care rates and/or amounts, fringe benefit rates, and other special rates for organizations receiving federally sponsored awards. This work is performed when HHS is designated the federal cognizant agency by OMB.

DCA also serves as a liaison with federal agencies on operational matters involving review and negotiation of indirect cost rates and cost allocation plans. In addition, DCA resolves audit findings on cost allocation plans, indirect cost rates, etc. To accomplish these goals, DCA provides technical assistance on indirect cost and cost allocation matters to federal agencies and organizations receiving federally sponsored awards.

Other responsibilities of DCA include collecting rate agreements (issued by HHS and other Departments) for organizations not subject to the commercial cost principles and distributes them on a government-wide basis, as well as evaluating a wide range of ADP and telecommunication facilities operated by state/local governments, colleges and universities, and other nonprofit organizations to determine whether charge-backs for services to federal programs are reasonable, proper and allowable under federal cost principles.

Finally, DCA maintains the Cost Allocation Management Information System, the Indirect Cost Rate Information System, the Rate Agreement Distribution System and the Statistical Analysis System in support of DCA activities.

## **FMS Performance Analysis**

**Unified Financial Management System (UFMS)** - In FY 2005, the Financial Management Service (FMS) continued to contribute to the Department-wide implementation of a new and consolidated financial system, the Unified Financial Management System (UFMS). As the provider of accounting services to PSC and seven organizations within the Department, representatives from FMS worked closely with the UFMS project team and staff from organizations within the Department on development activities. Contributions to this effort included not only resources but sponsoring training, conducting workflow analysis, analyzing staffing requirements, and numerous other steps to ensure a successful implementation. These efforts began in FY 2003 and will continue into FY 2007. In addition to the implementation efforts, FMS commenced Operations and Maintenance (O & M) activities to support UFMS during FY 2005 when UFMS was fully implemented at the Centers for Disease Control (CDC) and the Food and Drug Administration (FDA). The scope of O & M services provided by FMS includes post deployment support and ongoing business and technical operations services. This is in alignment with the Department-wide goal of improving financial management practices.

(Ties to PMA - Expanded Electronic Government, PMA and “One HHS” Objective – Improved Financial Performance)

**Annual Audit of Financial Statements** – The draft audit report for FY 2005 indicates that PSC is receiving an unqualified audit opinion with one repeat material weakness, one repeat reportable condition, and one reportable condition, which was reduced from a FY 2004 material weakness. Corrective action plans are in place to address these findings and conditions in FY 2006. During the past year, FMS worked to ensure that PSC would be successful in the annual audit process and dedicated resources to tasks required in order to achieve an unqualified audit opinion. In addition, resources were directed at addressing and resolving prior findings and conditions, as well as immediately taking action on those items that were discovered and/or reported in the current year’s review. Audit liaison staff within FMS continues to analyze and improve estimation techniques and correct CORE accounting transactions to reduce the number of adjustments made for financial statement reporting. As a result of these efforts, PSC continues to meet the required financial statement reporting deadlines as well as playing a significant part in the achievement of an unqualified opinion for HHS. (Ties to PMA – Improved Financial Performance, PSC Measure – Achieve unqualified audit).

**Customer Service** – In FY 2005, FMS made significant progress toward increasing service to its customers with a focus on improving efficiencies with enhanced technology and refinement of its operating programs and systems. For example, refinements and improved functionality to the Payment Management System have resulted in an increased level of service to both grant awarding agencies and grant recipients. This has been accomplished through the automation of many paper processes and the provision of on-line reports and files to grant awarding agencies. In addition, the Debt Collection Center has implemented e-government solutions to improve electronic processes with its customers and allow for electronic collection of funds from debtors.



**Debt Collection** – Within FMS is a Department of Treasury designated Debt Collection Center for HHS. The designation, which was to expire in FY 2005, has been extended until 2010 by the Department of Treasury. The designation allows FMS to be the Debt Collection Center for (1) Health Profession Debt; (2) HHS debt less than 180 days delinquent; and (3) audit and program disallowances for a period of 180 days following the completion of any appeals. While FMS provides debt management services for all components within HHS, the HHS debts not included within the designation that are greater than 180 days delinquent are electronically referred to the Department of Treasury's Debt Collection Center for cross servicing. In this capacity, FMS is the transmitter and HHS liaison for all debt referrals to the Department of Treasury for cross servicing. For FY 2005, FMS successfully collected over \$450 million of debt.

**Payments** - FMS has an extremely strong track record for improved financial performance, especially related to payments. In FY 2005, more than 560,000 contract and grant payments, in excess of \$299 billion were made with only 184 payment errors. This is an erroneous payment rate of 0.03% which exceeded management's goal of no more than 0.075%. The performance of FMS in response to the Prompt Payment Act is also impressive. FMS' Division of Financial Operations has consistently exceeded OMB's 95% target of on-time payments. The on-time payment rate for FY 2005 is 99.6%. In addition, FMS continues to meet or exceed the government-wide goal of processing 95% of eligible payments electronically. For FY 2005, 95% of contract and virtually 100% of eligible grant payments were made electronically.

During FY 2005, FMS also engaged in recovery auditing activities during FY 2005 for purchase order/contract payments made in FY 2002 and FY 2003 by the PSC accounting operation. The recovery auditing contractor reviewed 240,000 payment transactions with a dollar value in excess of \$2 billion, and identified only \$64,000 of improper payments. Additionally, FMS plays a lead role in the Department's recovery auditing program. This includes working closely with the recovery auditing contractor in their work at the other HHS payment centers and handling various administrative matters related to the contract.

**Cost Allocation** - FMS, through the Division of Cost Allocation (DCA), negotiated over 2,688 facilities and administrative (F&A) and indirect cost rate agreements; and central service and public assistance cost allocation plans in FY 2005. The negotiations resulted in a cost avoidance exceeding \$919 million and actual cash recovery of \$77 million. Grantees submit F&A and indirect cost rate proposals; and central service cost allocation plans to DCA that propose rates and dollar amounts that a grantee would like to allocate to federal programs. DCA performs a financial analysis and quasi audit of the grantee proposals and plans, develops a government position and enters into formal negotiations with the grantee. The cost avoidance is calculated by taking the difference between the grantee's proposed rates and amounts and those ultimately negotiated with the grantee. The difference in the rates is applied to the estimated federal grant dollars to which the rates will be applied. In many cases, the rates are established over several years and cost avoidance is calculated for all negotiated years. Cash recoveries usually result from the review and analysis of cost allocation plans and are determined and usually agreed to

prior to the cash refund request. Attempted cost recovery occurs when a grantee appeals a final DCA determination. The amount of recovery currently in appeals is \$297 million. These costs are not included in cost savings or cash recovery until the Grants Appeals Board makes its final ruling. (Ties to PMA – Improved Financial Performance).

Performance Goal	Results	Context
Achieve unqualified (clean) audit opinion for the PSC in FY 2005 and no new findings (Goal 8, page 62)	The draft audit report (subject to change) for FY 2005 indicates that PSC has received an unqualified audit opinion with one repeat material weakness, one reportable condition down graded from an FY 2004 material weakness, and one repeat reportable condition. Additionally, FMS has taken the audit findings and developed action plans to address shortfalls.	A clean audit is a measure of strong financial practices and data.

### **Rationale for the Budget Request**

The FY 2007 expenses for the FMS are estimated at \$85,757,000, a net increase of \$25,939,000 from FY 2006 based primarily on \$25,490,000 for the full transition of the UFMS Operations and Maintenance function to FMS, \$700,000 for business expansion in DCA, \$100,000 for pay increases, and a miscellaneous decrease of \$351,000.

## **Federal Occupational Health Service**

Authorizing Legislation - 42 USC 231

	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>	<b><u>FY2007</u></b>
Expenses	\$177,227,000	\$187,316,000	\$193,084,000
FTE	89	91	93

FY 2007 Authorization.....Indefinite

### **Statement of Budget Request**

The estimated FY 2007 budget for FOHS is \$193,084,000, to provide federal occupational health services as described below.

### **Program Description**

The Federal Occupational Health Service (FOHS) provides comprehensive, high-quality, customer-focused occupational health services in strategic partnership with federal agencies nation-wide. The mission of FOHS is to improve the health and safety of the government workforce by designing and providing innovative, customized, cost-effective occupational, environmental health and work/life solutions that exceed customer expectations. FOHS programs provide strategic prevention and early intervention services to employees and federal agency employers, thereby providing economies in both financial and human costs.

FOHS currently provides services to 45 federal departments and agencies and serves over 1.5 million federal employees. The services provided by FOHS include health and wellness programs, employee assistance, work/life, and environmental health and safety services. FOHS provides occupational health services via three divisions: the Division of Health and Clinical Services provides a variety of clinical services; the Division of Employee Assistance Program Services provides behavioral health services; and the Division of Environmental Health Services provides environmental health and industrial hygiene services.

The services that FOHS provides include consultations to agency management, program design to meet customer needs, service provider selection, direct provision of services, and program oversight and evaluation. FOHS provides services in cities and towns all across the country including some of the most remote corners of the United States. The support and services FOHS provides enables agencies to promote health, wellness, physical fitness, and productive, safe work environments for their employees, as well as maintain compliance with OSHA and other federally mandated standards.

## **Health and Clinical Services**

The Division of Health and Clinical Services provides occupational health and clinical services to employees and consultations to management under two different types of interagency agreements. A basic package of standardized services is offered that includes walk-in care, emergency response, and preventive screenings at permanent Occupational Health Centers. In addition, specialized or customized clinical services are offered that help agency managers meet their specific occupational health responsibilities arising out of legislative and regulatory requirements or agency initiatives.

Basic Occupational Health Center Services (BOHCS) include but are not limited to:

- On-site clinical care, referrals and follow-up.
- First aid and emergency response.
- Routine immunizations for flu, tetanus and pneumonia.
- Services prescribed by a personal physician such as bed rest, blood pressure and glucose monitoring, and allergen or hormone injections.
- Health and wellness education programs - group sessions and individual education on topics such as smoking cessation, nutrition, and stress reduction.
- Online health promotion information including Health Risk Appraisals.
- Confidential maintenance of employees' occupational health records in accordance with the Privacy Act.

Specialized clinical services include but are not limited to:

- Medical surveillance services for the assessment of exposure of groups of employees to health hazards such as toxic substances, noise, lead and asbestos.
- Database management of individual and aggregate test results.
- Medical clearance examinations including pre-placement and periodic fitness-for-duty examinations, including those associated with protective equipment, such as respirator use.
- Consultations with management on occupational health issues, program development and assessment.
- Medical opinions on reasonable accommodations requests filed under the Americans with Disabilities Act and Family and Medical Leave Act.
- Injury prevention and disability management services.
- Education and training on various topics including general health and wellness, Tuberculosis, Bloodborne Pathogens, and hearing conservation.
- Wellness/fitness program development, Fitness Center design, staffing, management, and individual fitness assessments.
- Other preventive health services such as periodic health evaluations, individual and corporate health-risk appraisals.
- Development, implementation and management of on-site Automated External Defibrillator Programs including requisite training, physician oversight and quality assurance.
- Self-directed or group smoking cessation programs with availability of nicotine replacement therapy (nicotine gum and patches).

- Federal Law Enforcement Medical Programs consisting of:
  - Development of medical standards based on agency-specific job task analyses unique to law enforcement officers.
  - Pre-placement and periodic medical examinations.
  - Medical review of physical examinations to determine whether applicants or incumbents satisfy the functional requirements of their positions.
  - Fitness-for-duty medical evaluations.
  - Expert witness testimony.
  - Medical consultations on worker's compensation, return-to-work, and reasonable accommodation issues.
  - Medical information/data management and trend analysis for law enforcement agencies.

### **Environmental Health**

The Division of Environmental Health Services offers a wide range of industrial hygiene, environmental health, safety, and engineering services. This includes the provision of project design, evaluation, management, oversight services as well as project labor for a wide range of services including but not limited to:

- Industrial hygiene surveys and evaluations involving chemical, physical or biological agents and exposures.
- Environmental health evaluations and site surveys.
- National Environmental Protection Act (NEPA) assessments.
- Lead and asbestos inspections and assessments.
- Hazardous materials evaluations.
- Specialized facility assessments for compliance with federal/state/local laws and regulations.
- Worksite safety and health evaluations for worker and visitor protection and for OSHA regulatory compliance, workers compensation issues and incident investigations.
- Indoor air quality studies and solutions.
- Sanitation and food service evaluations.
- Ventilation and engineering evaluations, assessments and recommendations;
- Building microbial and mold assessments, evaluations, quality laboratory analyses and control.
- Training including courses in:
  - Bloodborne pathogen exposure and protection;
  - Hazard communication and materials;
  - Laboratory standards;
  - Safety engineering;
  - Ventilation;
  - Asbestos;
  - Lead;
  - Respiratory protection; and
  - Personal protective equipment.

- Workplace and worker ergonomic assessments, evaluations, control and accommodation.
- Consultations on safe worksite planning, hazard surveillance/analysis, risk assessment, hazard control, and workers compensation issues.
- Occupational health and safety program management – planning, development, implementation, evaluation, and operational assistance.
- Research and field evaluations related to environmental issues and conditions, sampling techniques and instrumentation for gases, particulate mists, vapors, etc.
- Industrial hygiene and environmental laboratory analysis and services.

### **Employee Assistance Programs (EAP)**

Division of Employee Assistance Program Services offers services under a “consortium” program as well as providing unique or specialized EAP services to individual client agencies such as the U.S. Postal Service.

EAP services include but are not limited to:

- Clinical assessment of employee emotional, substance abuse, workplace or situational problems that may interfere with job performance
- 24 hour a day/ 7 day a week telephone access to professional consultation for managers and clients.
- Short-term problem resolution in 3, 4 or 6-session models.
- Referral to community resources when longer-term treatment is necessary.
- Crisis counseling - 24 hours a day.
- Critical incident stress management and intervention.
- Supervisory training, employee orientation and union briefings.
- Health and wellness promotions and presentations, including employee and management newsletters.
- Consultations with supervisors regarding employee services and behavioral health issues which may be affecting workplace performance and productivity.
- Website-based dependent care resources.
- Web-based services including: self-screenings, personal plan development, information about a wide range of topics, and links to government and other reputable websites.
- International services for federal employees overseas.
- Legal and financial services, including identity theft services and protection.
- An online, interactive substance usage education and prevention program as well as online seminars and health and wellness presentations.
- Specialized services to agencies with law enforcement functions.
- Pre- and post-deployment educational resources.

Critical incident stress management and interventions benefit groups of otherwise well employees who have just suffered trauma on the job. It helps them understand normal

reactions to abnormal situations and offers individual personal assistance when necessary.

Other Behavioral Health Specialized Services include:

- A full range of Work/Life resource and referral services, including child and elder care resources, education, relocation, career and retirement planning, legal and financial counseling – helping employees better manage their work and personal lives and resulting in increased productivity..
- Management consultation, work environment assessment, recommendations to resolve organizational problems, training, team building, and other organizational interventions to help employees function effectively as a work group.
- Consultation on violence in the workplace to help agencies develop effective policies and train employees to implement proper procedures.
- Alternative Dispute Resolution Services help agencies develop effective policies and provide qualified neutrals to facilitate resolution of issues through mediation and other means.
- Drug Free Workplace and Department of Transportation substance abuse assessment, consultation, monitoring, and follow-up.
- Consultation and training regarding readiness for terrorist acts and natural disasters.

### **FOHS Performance Analysis**

In FY 2005, FOHS has focused on contributing to the achievement of the President's Management Agenda. Achievements in two of the President's government-wide initiatives are noteworthy: Strategic Management of Human Capital and Expanded Electronic Government.

**Human Capital Management** - Since 1993 federal civilian employment has decreased by more than 300,000 employees to 1.8 million employees. Compounding the effect of this reduction is the increased complexity of the roles performed by these employees and the across-the-board nature of the reductions coupled with strategically targeted reductions tailored to current and developing job requirements. The need for workplace services to enhance productivity became apparent, and FOHS applied the capabilities of its 100 occupational health staff to provide consultation to managers and direct occupational health services for approximately 1.5 million of the 1.8 million federal civilian employees. Through its employee assistance programs, FOHS provides employees with resources that help them in very personal and global ways. By receiving the assistance that they need, the expected outcome is a happier, productive individual and a more effective workforce in total.

To increase performance and productivity of the workforce, FOHS services focus on maintaining a healthy workplace environment and on maintaining and improving the physical and behavioral health of employees. The results of its efforts can be seen government-wide with documented improvements in the health and productivity of federal human capital. (Ties to Strategic Management of Human Capital).

**Expand Electronic Government** – Over the last year, FOHS has improved access to information through technology and partnering for results-oriented government thus contributing toward achieving the President’s Management Agenda to expanded electronic government. Several initiatives implemented by FOHS include Connect4Health, collaborative worksite portals, and the Services Tracking Management System.

FOHS partnered with a private vendor to implement Connect4Health, a web-based software program that provides online, counselor led, real time group intervention for FOHS' clients to address substance (alcohol and drug) education, prevention and misuse issues. FOHS operates the only employee assistance program (EAP) in the nation providing this service, which impacts the significant negative financial and human toll on safety and productivity that substance misuse has on the workplace.

FOHS utilizes online collaborative worksite portals dedicated to specific federal agency customers that enhance communication among FOHS account managers, service providers, and customer agency program managers to ensure prompt and accurate service delivery. These same e-Government tools are applied to enhance and expedite response to emergencies including actions in support of the National Response Plan and FEMA operations.

During the past year, FOHS worked toward finalizing implementation of the Services Tracking and Management (STM) system which was officially implemented on October 3, 2005. In preparation for the implementation of STM, FOHS focused on training its staff located in regional offices as well as in the Occupational Health Centers across the country in FY 2005. STM streamlines and simplifies administrative management of interagency agreements for delivery of services for customer organizations. It provides a user friendly way of developing interagency agreements, adding additional services and expanding agreements across customer agencies, tracking service delivery, and facilitating accurate and timely billing for services.

Performance Goal	Results	Context
Achieve customer satisfaction targets – percent of customers responding to PSC comment cards indicate excellent/good ratings for satisfaction of services. (Goal 2, page 57)	For FY 2005, PSC achieved a satisfaction rating of 87%. FOHS contributed to this rating by achieving a 91% customer satisfaction rating at the service level.	Customers provide feedback through online surveys indicating their level of satisfaction with services rendered. PSC uses feedback to ensure that customers are satisfied and to identify shortcomings that must be addressed.



### **Rationale for the Budget Request**

FOHS provides occupational health consultation and services to other federal agencies through agreements. FY 2007 expenses for FOHS are estimated at \$193,084,000, a net increase of \$5,768,000 from FY 2006 based on \$5,200,000 for anticipated new business, \$317,000 for pay increases, and \$251,000 for rent increases.

## **Human Resources Service**

Authorizing Legislation – 42 USC 231

	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>	<b><u>FY2007</u></b>
Expenses	\$52,835,000	\$65,676,000	\$66,232,000
FTE	192	192	192

FY 2007 Authorization – Indefinite

### **Statement of Budget Request**

The estimated FY 2007 budget for HRS is \$66,232,000, to provide HR services as described below.

### **Program Description**

The Human Resources Service (HRS) provides an extensive array of human resource (HR) systems and reporting enterprises (including administration and management) for the Department of Health and Human Services' (HHS) civilian and Commissioned Corps employees. The mission of HRS is to provide high quality human resource support services at competitive prices to a multi-customer base of HHS components and other federal agencies. These services include automated personnel and time and attendance systems support, equal employment opportunity, compensation and medical benefits support services to active duty and retired Commissioned Corps officers. HRS also serves as a liaison between the new payroll service provider and HHS employees. In addition, HRS manages the HHS University, which provides opportunities for skill and career development including common needs training and implementation of the learning management system for the Department.

### **Enterprise Applications Division**

All HHS OPDIVs and Staff Divisions (STAFFDIVS) receive personnel and time and attendance systems support from HRS. The HHS Departmental payroll system was transitioned to the Defense Finance and Accounting System (DFAS) on April 17, 2005. The Enterprise Applications Division (EAD) continues to maintain numerous inbound and outbound interfaces from HHS personnel and time and attendance systems to DFAS. HRS currently manages and maintains a Department-wide personnel system, PeopleSoft, integrated with the DFAS payroll system.

The HRS/EAD Office of Commissioned Corps Systems Branch (CCSB) provides the Commissioned Corps of the US Public Health Service with complete computer applications support for its automated personnel, payroll, and management information systems. This includes systems analysis, design and development, modification and maintenance; the production of official personnel orders, recurring and special onetime

reports, payroll data including check and bond transactions, and the operation of an in-house data processing facility to support these functions. CCSB also runs the monthly Commissioned Corps Payroll for approximately 11,000 Active-Duty Officers, Retirees, and Annuitants. CCSB exclusively services the Commissioned Corps Force Management, a component of the Office of the Secretary, Service and Supply Fund.

### **Commissioned Corps Support Services**

The HRS Office of Commissioned Corps Support Services (OCCSS) provides an administrative infrastructure for the US Public Health Service by performing all pay systems administration activities for Commissioned Corps officers, both active and retired; administers the Commissioned Corps retirement program and survivors' assistance program; and provides administrative management and direction relating to medical matters affecting Commissioned Corps officers, retirees, and their family members. OCCSS exclusively services the Commissioned Corps Force Management (CCFM), a component of the Office of the Secretary, Service and Supply Fund.

### **Equal Employment Opportunity**

The Division of Equal Employment Opportunity (EEO), which provides administrative EEO services to PSC, AHRQ, and SAMHSA. In this role, EEO encourages and assists its customers in voluntarily taking affirmative steps towards achieving the Federal goal of having a fully representative work force which includes members of all ethnic groups, including persons with disabilities. It administers the special emphasis/diversity programs to accommodate the special needs of particular groups and to foster a working environment in which employees treat each other with respect and dignity and value the differences in backgrounds that each employee brings to the workplace. EEO administers the discrimination complaints program which seeks to identify and eliminate discriminatory policies and practices from within the workforce based on race, national origin, color, sex, age, religion, disability, sexual orientation and/or reprisal, and provides for the prompt, fair and impartial processing of discrimination complaints. EEO operates an alternative dispute resolution (ADR) program in order to resolve complaints of discrimination at the earliest possible stage and administers an EEO investigation program for HHS to provide EEO complaint investigations on a timely and impartial basis.

### **HHS University**

HHS University (HHSU) supports the Department's mission and goals by providing high-quality, cost-effective continuing learning and development opportunities. HHSU employs innovative approaches and emerging learning technologies. HHSU develops and delivers competency-based common needs training and programs to all HHS employees. It supports HHS change management activities by fostering a continuing learning culture and development of a flexible workforce. HHSU's focus is to achieve cost efficiencies and economies of scale in the delivery of training and development services.

## **HRS Performance Analysis**

In FY 2005, the Human Resources Service (HRS) contributed significantly to achieve the strategic goals and objectives for both PSC and HHS as a whole. This was accomplished through a successful payroll conversion, several enterprise support initiatives, improvements to services to support the Commissioned Corps, and enhancements to the training and development opportunities for HHS employees. The following are highlights of HRS' accomplishments and initiatives undertaken in FY 2005.

**Payroll Conversion** – In support of the President's Management Agenda initiative for e-Payroll, HRS successfully led the Departmental payroll conversion from the HHS Legacy Payroll System to the Defense Finance and Accounting Service (DFAS). The payroll conversion was effective April 17, 2005. It is the largest successful single conversion that has taken place government-wide under the e-Payroll initiative. Multiple interfaces were designed, tested, and implemented by HRS. Data was validated and successfully loaded. Interfaces were deployed that continue supporting the Department's legacy systems such as accounting and internal time and attendance systems. This ensured that over 67,000 HHS employees continued to receive their pay during the conversion. A training plan and transition plan were implemented to transition current payroll staff to a new customer-oriented environment under this initiative. These efforts support the e-Payroll initiative to consolidate payroll functions government-wide. (Ties to PMA – Expanded Electronic Government).

**Customer Service** - Another HRS initiative was the enhancement of Peregrine Help Desk software which was modified to support the HHS payroll conversion to the Defense Finance and Accounting Service (DFAS). As part of this initiative, the payroll help desk and the EHRP help desk were consolidated, providing customers with a single point-of-contact for resolving payroll and EHRP related issues. The users have web access to the Peregrine software which allows them to submit and track the status of issues. The new software provides automated tracking of calls and generates reports for users and management. Backlogged calls from both systems have been managed, tracked and eliminated during FY 2005. These efforts will allow HRS to improve performance related to customer service.

**Enterprise Support** - In FY 2005, the Enterprise Applications Division (EAD) successfully implemented the annual pay raise for the Department's civilian employees. Interfaces supporting E-Gov initiatives, such as E-Payroll and the Learning Management System (LMS), were put into production by EAD to facilitate transfer of human resource data to the new environments. EAD also deployed several electronic interfaces to provide information from the Department's human resource system (PeopleSoft 8) to the new electronic Official Personnel Folder (eOPF) system. These interfaces eliminate the need to maintain paper copies of employee information (Ties to PMA – Expanded Electronic Government).

HRS has taken on responsibility for implementing many technological enhancements in order to further automate processes, thus creating a more efficient environment in which to manage the workforce. An example of this is the securing of funding and the purchase of equipment for the PeopleSoft Employee Performance Module (EPM) which is a data warehouse with ad-hoc reporting capabilities. In FY 2005, HRS completed an EPM pilot project that was successful. The production environment for EPM is scheduled for installation and deployment the end of the second quarter of FY 2006. (PMA – Strategic Management of Human Capital) (HHS – 2. Implement Strategic Human Capital Management).

**Enterprise Support for Commissioned Corps** – The Enterprise Applications Division's Commissioned Corps Systems Branch (CCSB) made significant accomplishments in FY 2005 to support enterprise systems for the Commissioned Corps employees of the Department. CCSB developed and implemented a new payroll and personnel system called ccPayroll to replace the Legacy WANG based payroll and personnel system. The retirees and annuitant population (5,925 individuals) were transitioned to ccPayroll at the end of December 2005. The active-duty population (6,000 individuals) is scheduled to be transitioned to the new system in calendar year 2006. The ccPayroll system is a web-enabled self-service based system through which officers can make elections directly to affect their net pay. In addition, the active-duty officers will have access to all earning statements through the ccPayroll system. (PMA – Expanded Electronic Government)

CCSB upgraded the three ORACLE databases (Production, Development, and Testing) from version 9i to the latest version 10g. The work was completed by October 1, 2005 and was a necessary step in order to support the new Commissioned Officer Effectiveness Report System (COERS) application that went into production and was made available for use by active-duty officers on October 3<sup>rd</sup>. COERS is the annual performance evaluation system for officers. (PMA – Expanded Electronic Government)

CCSB has also developed a web application that scans Commissioned Corps job applications and related documents into VIEWSTAR, the electronic Official Personnel Folder (eOPF) system for officers. This provides the ability to search the available applicant pool for select skill-sets and the ability to run Applicant Boards remotely when an applicant is selected for active-duty. (PMA – Expanded Electronic Government)

In addition, CCSB has developed an electronic Medical Health Records area within VIEWSTAR. The electronic health record interface is compliant with the Health Insurance Portability and Accountability Act (HIPAA) and ensures Corps readiness by making an electronic health record readily available to medical review staff. Additionally, medical health records, including immunizations, are actively being scanned into the system. This system has the ability to run Medical Boards which utilize the officers' scanned-in records. Boards are able to be run from remote locations using the Medical Board web application. (PMA – Expanded Electronic Government)

**Commissioned Corps Support Services** - In FY 2005, the Office Commissioned Corps Support Services (OCCSS) Medical Affairs Branch (MAB) business modernization efforts resulted in recommendations to PSC and the Office of Public Health and Science (OPHS) leadership to transfer health care entitlement to TRICARE. MAB began the transition from paper to electronic medical records for active duty officers of the Public Health Service as well as the transition from a paper to electronic Medical Evaluation Board and appeal processes. MAB also completed the transition to United Concordia as the payment venue for dental claims. A new Public Health Service billet has been created to more effectively serve the beneficiary population. In addition, a comprehensive audit of medical records contained in MAB was completed resulting in more than 100 boxes of retired records (dated back as far as five decades) forwarded to the Privacy Coordinator for archive.

Lastly, MAB is proud to participate in the HHSU Emerging Leader Program, hosting two program participants.

**Equal Employment Opportunity** – In an effort to create efficiencies, the Division of Equal Employment Opportunity (EEO) was successful in working with Office of Minority Health, Food and Drug Administration, Health Resources and Services Administration, and Indian Health Service, to begin providing PSC a single payment for funding Parklawn commemorative events. One payment is processed for each Parklawn OPDIV rather than processing multiple funding documents for each event. In addition, EEO was also instrumental in addressing professional development training needs across the Department. One such example is the implementation of an online e-Learning module for the prevention of sexual harassment. This module was made available HHS-wide at no cost to the OPDIVs

**HHS University** - To support the strategic development of human capital within the Department, HHSU implemented the HHS Learning Portal, an enterprise system that provides a robust set of electronic tools to manage and support employee training and development activities. As a component of the Learning Management System, customers have access to over 2000 online courses covering topics on information technology, computer applications, and professional development; hundreds of online books; and access to over seventy HHS University instructor-led courses. (PMA – Strategic Management of Human Capital).

As a result of a survey conducted in FY 2004 to determine training needs for the Department, HHSU adopted OPM's Executive Core Qualifications and established HHS performance indicators for leadership competencies. This led to the development of leadership competencies and core competencies for all HHS employees. These competencies serve as the backbone for all HHSU human capital development services and programs, and guide managers and employees as they identify relevant training and development activities. This has led to HHSU piloting the Competency Module whereby employees can rate themselves against a set of HHS-wide competencies, obtain supervisory ratings on these same competencies, and link to learning interventions to close any gaps that exist. (PMA – Strategic Management of Human Capital).

Through consolidation of training services, leveraging the use of emerging learning technologies and utilizing HHS and Government-wide buying power, HHSU is achieving cost efficiencies and economies of scale.

Performance Goal	Results	Context
Achieve timeliness targets – percent of services achieving timeliness targets (Goal 1, page 57)	For FY 2005, PSC met timeliness standards 92% of the time. HRS contributed significantly to this result by HRS cost centers meeting their timeliness standards 94% of the time.	Timeliness standards exist to set expectations with customers and establish performance accountability.
Achieve overall increase in employee satisfaction PSC-wide (Goal 9, page 63)	HRS implemented several programs to enhance the employee's job experience. Initiatives included implementation of an enterprise-wide Learning Management System (LMS), competency-based skills gap analysis, a leadership development program. Actual results will not be available until the next execution of the employee survey.	Elements that influence employee satisfaction in the workplace include career development and access to training opportunities.

### **Rationale for the Budget Request**

The FY 2007 expenses for the HRS are estimated at \$66,232,000, a net increase of \$556,000 from FY 2006 based \$414,000 for pay increases and \$142,000 for rent increases.

## **Strategic Acquisition Service**

Authorizing Legislation - 42 USC 231

	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>	<b><u>FY2007</u></b>
Expenses	\$72,996,000	\$78,645,000	\$78,874,000
FTE	101	126	135

FY 2007 Authorization.....Indefinite

### **Statement of Budget Request**

The estimated FY 2007 budget for SAS is \$78,874,000 to provide strategic acquisition services as described below.

### **Program Description**

The Strategic Acquisition Service (SAS) is responsible for providing leadership, guidance, and supervision to the procurement operations of PSC and improving procurement operations within HHS. SAS provides an extensive range of acquisition services; pharmaceutical, medical, and dental supplies distribution; and a strategic sourcing "Center of Excellence" to customers throughout the Federal government. SAS is part of the PSC's effort to accomplish part of the Secretary's "One Department" initiative by consolidating procurement operations in HHS through activities such as the elimination of duplicative contracts within HHS, by leveraging HHS' purchasing power through the use of consolidated contracts, and by fostering the implementation of new procurement practices designed to provide higher quality procurement services at reduced cost.

### **Strategic Sourcing**

The Strategic Sourcing Division (SSD) is responsible for Department-wide initiatives to consolidate purchasing of expendable commodities, including conducting spend analysis to support acquisition decisions, implementing change management processes to empower the acquisition community, and investigating and implementing innovative government and industry procurement practices within the HHS acquisition environment.

### **Acquisition Management**

The Division of Acquisition Management (DAM) solicits, negotiates, awards and administers simplified acquisitions and complex contracts in such areas as health care and support services, evaluation design studies and analyses, conference management,



technical assistance, information technology, professional services, labor services, computer/office machine repairs, real property leasing, renovations, and commercial products and commodities. These services are provided to HHS components nationwide, as well as to customers outside the Department. Highly trained, experienced, and specialized staff provide a wide array of acquisition and cost advisory services utilizing state-of-the-art technology.

### **Supply Service Center**

PSC operates a full service medical supply depot located in Perry Point, Maryland. The HHS Supply Service Center (SSC) is a national and international source of pharmaceutical, medical, and dental supplies for the healthcare facilities for HHS and other Federal civilian agencies. SSC provides a full-service supply, warehouse, and distribution center for pharmaceutical, medical, hospital supplies, and special program needs. In addition, SSC offers logistical support worldwide, in concert with technical assistance and material management, to service the customer's requirements.

Special services are offered from SSC's FDA licensed Pharmacy Repackaging operation. This includes provision of over 200 unit-of-use pharmaceutical prepacks of solid, oral dosage forms to a variety of Federal customers. These products are convenient, prescription-size, patient-ready units labeled for direct distribution to patients by health care providers. All packaging is accomplished using state-of-the-art equipment, and experienced personnel supervise all facets of the packaging. SSC follows standard industry and FDA-approved methods for receiving, sampling, testing, accepting, and repackaging all supplies.

SSC offers a comprehensive program, sponsored by the National Institutes of Health (NIH), for clinical drug trials. Technical assistance, inventory management, and logistical support to meet the packaging and distribution requirements of clinical drug trials are provided. All services are in cooperation and sponsorship with NIH and other Federal Government Agencies. Agreements with prospective research programs are executed in order to participate as the Drug Distribution Center (DDC).

SSC provides medical supply support for Presidential Initiatives, Foreign Assistance, Emergency Disaster Relief, and Department of Defense Programs. SSC also procures pharmaceutical and medical products, equipment and related supplies, and assembles into kits for the support of the Disaster Response or Special Project Teams.

## **SAS Performance Analysis**

**Strategic Sourcing** – As part of the “One HHS” 20 Department-wide Objectives, SAS developed a Strategic Sourcing Contract Portfolio to leverage the purchasing power of HHS and reduce the purchase costs associated with certain goods and services. The portfolio contains Blanket Purchase Agreements (BPAs) for the following categories: Custodial Products, Document Management, Events Management, IT Peripherals Hardware, Lab Supplies, Office Equipment, Office Furniture, Office Supplies, Temporary Administrative and Professional Staffing, and Temporary Medical and Professional Staffing. The portfolio represents an estimated \$270 million in annual spending and a 16% average reduction in prices paid from the previous year. Furthermore, SAS has increased small business participation in the strategic sourcing program with the inclusion of the Events Management and Temporary Administrative and Professional Staffing BPA categories as small business set-asides and the IT Peripherals Hardware, Custodial Products, and Office Furniture BPAs awarded to small businesses.

**Acquisition Management** - To achieve efficiencies through HHS-wide procurements and eliminate duplication of administrative services, the Division of Acquisition Management (DAM), in conjunction with the HHS Chief Information Officer, established award vehicles for OPDIV use which consolidate the purchasing of commodity desktop personal computers and laptops. DAM also serves as the contracting office responsible for the 2005 competitive award of consolidated information technology services to the Department’s small OPDIVS and provides acquisition services for many requirements associated with the Department’s Unified Financial Management System. In addition, DAM awarded and administered consolidated contracts for contract closeout services that are available for use Department-wide. It continues to a

In FY 2005, DAM achieved 50% placement of PSC contract dollars with small businesses, the highest achievement attained among the HHS contracting activities. This achievement pushed HHS past its 30% goal and allowed the Department to report that it placed 35% of its procurement dollars with small businesses.

DAM served as the contracting office in support of several mission critical competitive contracts relating to the Secretary’s Health Information Technology initiatives. Awards were successfully made on behalf of the HHS Office of the National Coordinator for Information Technology kicking off the Department’s efforts to achieve the President’s goal of widespread adoption of interoperable electronic health records within 10 years.

DAM provided timely and quality acquisition services in support of disaster recovery efforts resulting from the Hurricanes of 2005. On August 31, HHS Secretary Mike Leavitt declared a public health emergency and accelerated efforts to provide care for evacuees and victims of Hurricane Katrina. Hurricane Rita soon followed and DAM staff were accessible 24/7 to provide emergency acquisition support; supporting the HHS Command Center as well as the Department of Commerce Information Center. DAM processed over \$51 million in acquisitions for disaster recovery efforts.

Committed to achieving the Department's goal of attaining a single acquisition system, DAM is the provider of automated, simplified acquisition services on behalf of SAMHSA, AHRQ, and FOHS. Requisitions are developed and routed electronically by these agencies to DAM for processing through the PSC PRISM procurement application.

**Supply Service Center** - In FY 2005, the Supply Service Center (SSC) provided the very best in customer service in terms of productivity, quality, and responsiveness at the most reasonable cost. SSC continues to increase its number of customers and projects as well as renewing its partnerships from prior years.

SSC continued to provide medical supply support to our nation's soldiers during a critical period of our nation's history, combating terrorism and supporting the war effort. The specific projects that SSC contributed to include the Army's Combat Support Hospital Program, the Army Surgeon General's Medical Nuclear, Biological and Chemical Defense Material, and their Medical Assemblage Program. Specifically, assemblies built and shipped to stateside and overseas locations required to support military units during contingency operations were as follows: one Field Hospital, two ground ambulances, a Total Performance System, an Orthopedic Surgery System, and sustainment supplies. SSC continues to maintain and upgrade three Combat Support Hospitals and two Forward Surgical Teams. Also, the Pharmacy Branch repackaged over 4,000,000 tablets and capsules of Doxycycline and 800,000 tablets of Ciprofloxacin for the Army.

SSC customers in the State Department, Peace Corps, Department of Homeland Security's Office of Emergency Response, Metropolitan Medical Response Systems, and Office of Foreign Disaster Assistance were also supported with customized medical, dental and diagnostic kits as well as pharmaceutical and medical supplies that are being pre-positioned in the event of a chemical or biological weapons of mass destruction event.

SSC expanded its partnership with the Department of Veteran's Affairs (VA) Generic Drug Repackaging Program with the inclusion of two new drugs. For FY 2005, SSC repackaged 404,913,090 capsules and tablets into repacks of various sizes. This represents a 57% increase over FY 2004 production.

SSC also continues to provide a comprehensive repackaging program for NIH and CDC sponsored clinical trials. Technical assistance, inventory management, and logistical support were provided to meet the packaging and distribution requirements of 11 clinical trials.

In the aftermath of Hurricane Katrina, SSC was involved heavily in Department-related relief efforts that included shipping pharmaceuticals and medical and surgical items on a 24/7 basis. A large segment of the emergency orders placed concentrated on shipping critically needed vaccines, which required specialized handling and unique shipping arrangements. In addition, the Center received a substantial amount of medically related materials that were assembled and readied for shipment into 250-bed field hospitals (Federal Medical Shelters). SSC processed over 200 tons of supplies due to the hurricane relief efforts.

In FY 2005 the Center entered into five new Interagency Agreements with respective research programs as the Drug Distribution Center (DDC). The current ongoing National Institutes of Health (NIH) and Center for Disease Control and Prevention (CDC) sponsored trials are the following:

- Italian American Clinical Trial on Cataracts (NEI),
- Hepatitis C Clinical Trial for Thalessemia (NHLBI),
- Arginine Supplementation in Sickle Cell Anemia Trial (NHLBI),
- CombiRx Phase III Clinical Trial for Multiple Sclerosis (NINDS),
- BotUSA TB Project (CDC),
- Trial of Aldosterone Therapy in Adults with Preserved Ejection Fraction Congestive Heart Failure (TOPCAT) (NHLBI)

In addition, new trials sponsored in FY 2005 included the following:

- Thalassemia Clinical Research Network Cardiac L1/DFO (TCRN L1) (NHLBI)
- Pediatric Hydroxyurea Phase III Clinical Trial for Sickle Cell Anemia Full Study (BABY HUG) (NHLBI),
- Trial of Neuroprotection in Acute Ischemic Stroke (ALAIS) (NINDS)
- Rituximab for the Treatment of Patients with Congenital Hemophilia A and High Titer Inhibitors (RICH) (NHLBI),
- Myasthenia Gravis Study (MGTX) (NINDS)

Performance Goal	Results	Context
Achieve customer satisfaction targets – percent of customers responding to PSC comment cards indicate excellent/good ratings for satisfaction of services (Goal 2, page 57)	For FY 2005, PSC achieved a satisfaction rating of 87%. SAS contributed to this rating by achieving a 91% customer satisfaction rating at the service level.	Customers provide feedback through online surveys indicating their level of satisfaction with services rendered. PSC uses feedback to ensure that customers are satisfied and to identify shortcomings that must be addressed.
Contribute to the Department's administrative reduction goals as the shared services center (Goal 5b, page 62, Goal is being dropped in FY 2007)	SAS implemented a Strategic Sourcing Program, a Department-wide initiative. Nine consolidated contracts were awarded for commodities and services. For FY 2005, the Department lowered overhead operating costs by \$2.4 million based on actual usage of the contracts.	Strategic Sourcing intends to reduce purchasing costs by establishing consolidated contracts for specified commodities based on volume discounts.

### **Rationale for the Budget Request**

The FY 2007 expenses for SAS are estimated at \$78,874,000, a net increase of \$229,000 from FY 2006 due to anticipated pay increases.

## **Business Technology Optimization**

Authorizing Legislation - 42 USC 231

	<u><b>FY2005</b></u>	<u><b>FY2006</b></u>	<u><b>FY2007</b></u>
Expenses	\$0	\$23,105,000	\$23,412,000
FTE <sup>3</sup>	0	0	0

FY 2007 Authorization . . . . . Indefinite

### **Statement of Budget Request**

The estimated FY 2007 budget for BTO is \$23,412,000, to provide human resource system and technical consulting services as described below.

### **Program Description**

The Office of Business Technology Optimization (BTO) provides information technology (IT) consulting services as well as serves as the organizational unit for the HHS Human Resources Line of Business (HHS HR LOB) function. BTO's mission is to ensure strategic alignment of business processes with IT solutions and, using state-of-the-art change management techniques, implement business-focused IT initiatives. In the case of the HHS HR LOB implementation, the Director of the LOB reports to the Director of BTO, thereby ensuring the continued dialog between HR functional and technology experts.

BTO offers consulting services to identify, develop, and implement IT solutions that assist HHS components in maximizing return on IT investments and ensure IT solutions are supportive of strategic business goals. In addition, IT security consultation services are provided in the areas of certification and accreditation (C&A), IT security training, FISMA audits, security test and evaluation (ST&E), and IT Continuity of Operations (COOP) in compliance with Federal guidance.

The goal of the HHS HR LOB is to establish a shared services center that will offer modern, cost effective, standardized, and interoperable human resource solutions to multiple federal agencies by providing common core functionality to process personnel and pay actions, administer benefits, and support the strategic management of human capital. The following services will be available upon implementation of the shared services center: personnel action processing, benefits administration, payroll management, time and attendance, and labor distribution.

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<sup>3</sup> FTEs for this activity are estimated at 83 and would be transferred from other Federal agencies or new hires. Funding and FTEs are contingent upon realizing this business activity.

Since HHS uses the Defense Finance and Accounting System (DFAS) for payroll processing, the HHS HR LOB is targeting agencies that are currently using DFAS for payroll processing as well. Potential customers include the Department of Energy, the Environmental Protection Agency (EPA), and the Veterans Administration. Discussions have taken place with EPA and contact has been made with the Patent and Trade Office, the Department of Energy, and the Equal Employment Opportunity Commission.

### **BTO Performance Analysis**

BTO is a new organization with functions that have recently been designated to HHS by the Office of Personnel Management. There is no performance to report for FY 2005.

FY 2006 will be the first year that PSC tracks timeliness of service delivery and customer satisfaction for BTO's IT consulting services. In addition, as a new business line, it is expected to increase its customer base over the next two years. This will contribute to PSC's performance goal for market expansion.

For FY 2006 and FY 2007, BTO will work towards developing the HHS HR LOB to ensure that it can support the existing and future human resources needs of the federal government. The HHS HR LOB is perfectly aligned with PSC's long term goals to improve quality and cost savings for HHS as well as the Department's goal to achieve excellence in management practices. Through the establishment of a shared services center for human resources services, we can achieve or increase operational efficiencies and cost savings as well as improve customer service and strategic management of human capital.

### **Rationale for the Budget Request**

The FY 2007 expenses for the BTO are estimated at \$23,412,000, a net increase of \$307,000 from FY 2006 due to anticipated pay and other mandatory increases.

## **Human Resources Centers**

Authorizing Legislation - 42 USC 231

	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>	<b><u>FY2007</u></b>
Expenses	\$45,563,000	\$50,596,000	\$53,052,000
FTE	397	416	416

FY 2007 Authorization . . . . . Indefinite

### **Statement of Budget Request**

The estimated FY 2007 budget for HRC is \$53,052,000, to provide human resource center services as described below.

### **Program Description**

Within the Department of Health and Human Services, there are five Human Resources Centers (HR Centers). The HR Centers are the result of a consolidation of human resources functions within the Department. PSC oversees the financial aspects of three HR Centers that are located in Baltimore, Rockville, and Atlanta. A fourth HR Center is located in Bethesda and is serviced by NIH and a fifth HR Center, IHS (Indian Health Service) also located in Bethesda, has recently been added. The cost and FTE associated with the Bethesda sites are included in the respective agency's budget requests. All sites report to the Department's Office of Human Resources. These centers are responsible for providing high quality human resource services at competitive prices to a multi-customer base of HHS components and other customer agencies.

The HR Centers provide human resources strategic programs, customer service, and workforce relations support for HHS customer organizations. They serve as the principal advisor to the customer organizations' leadership on matters related to human resources management, including strategic human capital planning, recruitment and placement, position classification and management, compensation and pay administration, executive resources, workforce planning, labor and employee relations, employee services, and employee benefits, entitlements and advisory services. In addition, the HR Centers interpret regulations, directives, and other guidance related to human resources programs and provide policy direction, coordination and operational control for human resources programs. To ensure that the needs of the customer are being met, the HR Centers evaluate the human resources programs.

The HR Centers operate on a fee-for-service basis. Service Level Agreements between the HR Centers and customers ensure alignment of customer expectations and service delivery. In cooperation with their customers, the HR Centers have implemented human capital strategies that identify, recruit, hire and retain employees with the skill mix

necessary to accomplish OPDIV missions. Automated hiring, job classification, and employee records management tools have been deployed. In 2002, prior to consolidation of HR Centers within the Department, on average each HR FTE serviced 75 HHS employees. By 2005 this ratio had improved to 1 HR FTE to 81 HHS employees, an 8% increase in the number of employees serviced. To put this in perspective, a 2004 HR Management checklist published by OMB rates a ratio of less than 1/75 "Low" and a ratio of greater than 1/100 "High."

### **HRC Performance Analysis**

To ensure delivery of consistently high quality customer service, the HR Centers operate under established performance measures and metrics. The HR Centers performance goals are aligned with the PSC strategic goals and support HHS Strategic Goal 8 to achieve excellence in management by improving strategic management of human capital.

Implementation of HHS Careers (a job announcement website) by the HR Centers, consolidation of human resources activities throughout the Department in the HR Centers, and increased use of direct hire authority have yielded improved hiring timelines to approximately 30 days for certain positions. The HR Centers have also restructured and streamlined vacancy announcements, increased partnerships with colleges and universities, and expanded hiring of outstanding scholars and veterans. The HR consolidation has permitted the leveraging of HR staff to better utilize knowledge and skills to assist in meeting hiring timelines and goals. (Ties to PMA – Strategic Management of Human Capital)

HHS developed a balanced scorecard to articulate the strategic direction for human resources by adopting four perspectives as a way of presenting strategic concerns: customer, stakeholder/financial, learning and growth, and HR employee professional development. These five perspectives comprise a performance-based strategy that allows the HHS to meet its present needs while focusing on future goals. These perspectives have been incorporated into performance measures and initiatives for the HR Centers. The balanced scorecard is the foundation of the HHS Strategic Management System (SMS), i.e., a web based application that is used throughout the HR organization.

The following are specific accomplishments that the HR Centers achieved in FY 2005.

- Improved hiring timelines in occupations where HHS has direct hire authority.
- The HHS Strategic Management System (accountability system) has been upgraded to allow for better and faster collection and analysis of data for all of the human resources offices to assess human capital effectiveness. The data gathered has assisted the leadership to make decisions affecting services and resources.
- Implemented a revamped HHS Careers web site to make more user friendly for potential applicants.
- Partnered with Business Technology Optimization and the Human Resources Service to implement the electronic Official Personnel Folder (eOPF) automation technology, and provided access instructions to 97% of HHS employees (first in Government).



- Recruited fourth class of Emerging Leaders.
- Developed a pilot HR work tracking/work flow program (BizFlow) involving a major HR process, e.g., recruitment.
- Implemented a formal process for ensuring that annual performance plans track to performance budget plans including program performance goals and targets.
- Implemented new supervisory training program.
- Procured iComplaints, a software package to track Equal Employment Opportunity complaint activity
- Made changes necessary to reposition the HR program in each Center away from command and control/central decision authority to an empowerment environment.
- Incorporated change management and leadership training to support HR Center leadership and management through organizational repositioning.
- HR Center leadership has been refocused toward achieving excellence in program and service delivery.
- Collaborated with the HHS University to implement the HHS Learning Management System.
- Established an MOU with the Department of Labor to obtain their Safety and Health Information Tracking System (SHIMS).
- Developed Technological Aids/Databases (Applicant Registry/Job Bank/HHS job counseling Contact and Spanish Language Documents/Accessibility).

Performance Goal	Results	Context
Achieve overall increase in employee satisfaction PSC-wide (Goal 9, page 63)	Collaboration with HRS to implement an enterprise-wide Learning Management System (LMS)	Elements that influence employee satisfaction in the workplace include career development and access to training opportunities. Satisfied employees will result in retention of a high-performing workforce.

### **Rationale for the Budget Request**

The FY 2007 expenses for the HR Centers are estimated at \$53,052,000, a net increase of \$2,456,000 from FY 2006. The net increase is the result of \$1,500,000 in operations and maintenance costs of the implemented HR automated tools, \$909,000 for anticipated pay increases, and \$47,000 for rent increases.

### **Performance Detail**

## Summary of Measures

**Summary of Measures and Results Table**

	Measures	Total Reported		Total Met	Total Not Met		
FY	Total in Plan	Results Reported	% Reported	Met	Improved	Total Not Met	% Met
2002 <sup>4</sup>	44	34	77%	29	0	5	85%
2003	21	18	86%	14	0	4	78%
2004	15	15	100%	12	1	3	80%
2005	10	9	90%	3	2	6	33%
2006	10	--	--	--	--	--	--
2007	10	--	--	--	--	--	--

This table provides a summarization of the number of measures the PSC reports on under the Government Performance and Results Act (GPRA) and the progress it has made on meeting its targets.

As we focus on PSC-wide and outcome oriented goals, we have reduced the overall number of performance goals from 44 in FY 2002 to 10 in FY 2005 through FY 2007. Targets for FY 2005 and FY 2006 were developed and confirmed prior to having baseline data. As a result, it is now apparent that some targets for FY 2005 were unachievable, even with process improvements and changes to the business context. PSC will face a similar challenge for some of the targets for FY 2006 as well. Based on baseline data that was accumulated in FY 2004 and FY 2005, the performance goals for FY 2007 have been adjusted to reflect appropriate targets.

For FY 2005, PSC successfully met the targets for 3 of its 10 performance goals. Of the remaining 7 performance goals, 6 targets were not met and 1 was not measurable due to lack of comparable data. PSC achieved its target for contributing to the Department's administrative reduction goals by maintaining its budgeted FTE count over FY 2004. PSC exceeded the target for acquiring new customers as well as the target for the FY 2005 PSC audit opinion.<sup>5</sup> The targets related timeliness of service delivery, customer satisfaction, increase customer usage, reduction of overhead costs, reduction of intra-service costs, and cost recovery were not met. Since a human capital survey was not implemented in FY 2005, PSC was unable to measure the results for employee satisfaction.

<sup>4</sup> The results for FY 2002 were initially reported incorrectly. This table has been updated to reflect actual results.

<sup>5</sup> The results are based on a draft audit report, subject to change. The report should be finalized within 120 days.

Although PSC fell short of achieving some of its targets, the results indicate that performance improved over the prior year for 2 performance goals. While PSC did not achieve all its performance goals for the past fiscal year, overall it made significant progress.

## **Detail of Performance Analysis**

This section provides details on PSC’s performance in working towards its mission to assist and enable HHS to focus on its core mission of enhancing the health and well being of all Americans through the provision of centralized, qualitative administrative support goods and services. Linking our performance organizationally and measuring our progress and performance is an essential part of our strategic visioning and planning process.

The following pages provide performance tables that present performance measures, targets, and actual results for PSC. These tables are followed by a performance analysis to provide additional context for each measure.

## PSC's Performance Goals

<b>Long Term Goal:</b> Improve Quality – Provide quality administrative support so that high performance can be maintained in HHS Program Services. Demonstrate an increase in percent of customers expressing overall satisfaction with services.			
Measure	FY	Target	Result
1. Achieve timeliness targets – percent of services achieving timeliness targets (outcome)	2007	<b>95%</b>	Oct-07
	2006	95%	Oct-06
	2005	100%	92% (Not Met)
	2004	Identify baseline <sup>6</sup>	91%
	2003	--	--
	2002	--	--
2. Achieve customer satisfaction targets – percent of customers responding to PSC comment cards indicate excellent/good ratings for satisfaction of services (outcome)	2007	<b>90%</b>	Oct-07
	2006	90%	Oct-06
	2005	100%	87% (Not Met)
	2004	88%	88%
	2003	Identify baseline	86%
	2002	--	--
<b>Data Source:</b> <u>Measure 1</u> - Data on timeliness is tracked through internal cost center systems on a monthly basis; <u>Measure 2</u> - Customer satisfaction data is obtained through an electronic survey which is available 24/7 for customer input. In addition, hard copy comment cards are collected from customers as an alternative data collection mechanism.			
<b>Data Validation:</b> <u>Measure 1</u> - Timeliness data is tracked by each cost center and is submitted to the PSC Business Office on a monthly basis by cost centers that are randomly sampled and tested for data verification. The following data reflects percent of products and services meeting timeliness targets by Service Area for FY 2005: <ul style="list-style-type: none"> <li>• Administrative Operations Service – 95%</li> <li>• Financial Management Service – 92%</li> <li>• Federal Occupational Health Service – 86%</li> <li>• Human Resources Service – 94%</li> <li>• Strategic Acquisition Service – 69%</li> </ul> <u>Measure 2</u> - Customer satisfaction data is collected each month. Customers are asked to complete surveys at the time of services rendered. In addition, the online survey is available through the PSC website and in the signature of PSC employee emails. In FY 2005, 2,223 customers submitted surveys (an average of 185 per month). The following data reflects percent of customers satisfied or very satisfied by Service Area for FY 2005: <ul style="list-style-type: none"> <li>• Administrative Operations Service – 94%</li> <li>• Financial Management Service – 89%</li> <li>• Federal Occupational Health Service – 91%</li> <li>• Human Resources Service – 78%</li> <li>• Strategic Acquisition Service – 91%</li> </ul>			
<b>Cross Reference:</b> N/A			

<sup>6</sup> Each of these measures was initially tracked in FY 2004 to establish a baseline. Data is not available for the measures prior to FY 2004 except in rare cases. When the data is available, it has been included in the performance tables.

PSC has a long term goal of improving quality of service delivery so that HHS operating divisions may receive superior service while maintaining focus on their mission-related programs. There are two important measures that indicate quality of service – timeliness and customer satisfaction.

### **Performance Measure 1:**

Timely service and responsiveness are critical elements that determine a customer's level of satisfaction with PSC. It is essential that the organization place a continued focus on maintaining and improving timeliness in order to maintain and improve the customer's perceptions of their service provider. PSC seeks to provide timely, accurate and efficient services to all customers through simplified and streamlined processes and procedures and through employing best business practices.

PSC measures the timeliness of service delivery against the timeliness performance standards established for each cost center in our comprehensive Products and Services Directory. These standards exist in order to set expectations with the customer and to allow the customer to hold PSC accountable. While these standards will be rolled up to the highest PSC level for reporting purposes, each business line will be held responsible for meeting their goals. Individual product line results will be analyzed monthly and reviewed for problem resolution and tracked for improvement.

Timeliness targets for the entire PSC were established during FY 2003 for FY 2005 before any baseline data was available. Instead, PSC began to track timeliness of service delivery in FY 2004. During that year, PSC was able to meet timeliness standards 91% of the time, thus establishing a baseline. For FY 2005, PSC was able to meet timeliness standards 92% of the time. Although the results achieved for FY 2005 are below the target of 100%, PSC was able to improve its performance over the prior year by 1%. While meeting the standards 100% of the time is an ideal scenario, it was unlikely that the PSC would meet the FY 2005 target due to unexpected business challenges and situations that are not within the control of the PSC. As a result, the target was lowered to 95% for FY 2006 with the target remaining constant for FY 2007. It is expected that the PSC will continue to set aggressive timeliness standards within each cost center and that as a whole, PSC will be able to achieve these standards at least 95% of the time in upcoming years.

PSC tracks over 120 timeliness standards for its cost centers. The target for each timeliness standard is set to achieve maximum customer satisfaction for timely delivery of products and services. In most cases, the cost center timeliness targets are set at 95 to 100%. In analyzing our performance for FY 2005, it is apparent that some cost center timeliness targets are too aggressive and cannot be met when external forces come in to play. The FY 2005 performance of FOHS and SAS are two examples of where we fell short in meeting cost center timeliness targets. FOHS met timeliness standards an average of 86% for the year while SAS met timeliness standards and average 69% of the time for the year. These results indicate that we need to establish appropriate timeliness targets at the cost center level.

Since the cost center targets are established for FY 2006, we will continue to monitor them monthly to ensure that we are achieving optimum performance to meet our customers' needs. As we approach the costing process in the next few months for FY 2007, we will use the timeliness data results from FY 2004 and FY 2005 to complete a trend analysis to ensure that appropriate yet challenging targets are established for cost center timeliness standards in FY 2007. In addition, we will evaluate ways to improve the effects of external forces on our business as well as to cost effectively plan to address these situations as they arise.

## **Performance Measure 2:**

The other factor in measuring quality is overall customer satisfaction. PSC has placed great emphasis on providing quality, value-added services to all customers through reengineered processes and procedures, management and employee attention to quality, and through employing best business practices. The PSC will measure the perceived quality of our service delivery as the percentage of customers expressing overall satisfaction with the quality of services provided. When our customers are satisfied with products and services they are receiving, it allows them to keep focus on their core mission. Additionally, it is important for PSC to track customer satisfaction because the higher the satisfaction ratings, the more likely customers are to continue to purchase services from PSC. This has an overall affect on price per service in that the total cost of the service is being spread over a larger customer base, thus reducing the price per unit. It is clear that customer satisfaction has a direct relationship not only to quality, but also to price for customers.

The customer satisfaction measure defines quality as those customers who are highly satisfied with overall service. Without having baseline customer satisfaction ratings, a target of 100% was established during FY 2003 for FY 2005. However, a baseline was established in FY 2004, which resulted in a satisfaction rating of 88% across the PSC. It was immediately apparent that the FY 2005 target of 100% satisfied customers was not achievable in the short term. PSC achieved a satisfaction rating of 87% for FY 2005. This was a result of 2,223 customers completing an electronic survey that is available 24/7 for customer input. PSC encourages customers to complete the on-line survey upon delivery of products and services and makes the survey available on PSC's website. Customer feedback is analyzed on a monthly basis. The monthly performance results are distributed to the cost center managers. FMS and HRS are two services within PSC whose average customer satisfaction rating was below 90%. For FMS, 89% of customers were satisfied or very satisfied. For HRS, 78% of customers were satisfied or very satisfied. PSC is closely monitoring these services to address shortfalls immediately in FY 2006. At the end of the first quarter for FY 2006, both FMS and HRS are averaging a 93% rating.

While the goal for FY 2005 was set high in order to improve our service approach, it was unrealistic to think that all customers would be happy all of the time. The target was modified to continue to strive for improved customer satisfaction, while considering the



current customer satisfaction level and the potential impact of upcoming Department initiatives and these transition efforts upon customer satisfaction. The revised target for FY 2006 and FY 2007 is 90% of customers are satisfied with PSC services. As PSC recognizes improvement in this measure, the targets will be again be revised to become more aggressive. In effort to increase customer satisfaction, PSC will focus on providing employees with customer service training as well as following up with customers to resolve issues and improve customer relations. We will use dissatisfied comments as an opportunity to improve customer service in the future.

**Long Term Goal:** Improve Cost Savings to HHS by Expanding Market Share– Improve annual costs per service to our customers accomplished by increasing the number of customers to spread overhead and fixed costs across, resulting in price control/reductions, especially if expanded market share occurs to outside customer agencies. Maintain or increase size of customer base over time.

Measure	FY	Target	Result
3. Increase percentage of new customers acquired annually (outcome) <sup>7</sup>	2007	<b>2% increase over FY06</b>	Oct-07
	2006	2% increase over FY04 (18 new customers)	Oct-06
	2005	5% increase over FY03 baseline (40 new customers)	29.4% (234 new customers) (Exceeded)
	2004	Identify baseline	10.7%
	2003	--	Baseline (796)
	2002	--	--
4. Increase percentage of existing customers obtaining new services (outcome) <sup>8</sup>	2007	<b>2% increase over FY06</b>	Oct-07
	2006	2% increase over FY05 (21 customers)	Oct-06
	2005	5% increase over FY04 (44 customers)	3.6% (32 customers) (Not Met)
	2004	Identify baseline	3.8% (30 customers)
	2003	--	Baseline (796)
	2002	--	--
<b>Data Source:</b> <u>Measure 3 &amp; 4</u> - PSC maintains service level agreements with customers that tracks a customer's purchasing behavior. In addition, data on the number of customers (established by billings) that the PSC support is maintained in the Customer Information section of the PSC Revenue, Invoicing, and Cost Estimation System (PRICES).			
<b>Data Validation:</b> <u>Measure 3 &amp; 4</u> - Actual performance will be measured by the increase in the number of customers billed through PRICES.			
<b>Cross Reference:</b> N/A			

The PSC seeks to expand its share of the HHS and other Federal agency program support market share in order to establish itself as the leader in shared services, benefit from economies of scale, achieve operational efficiencies, foster standardization, and free customers to focus on their core mission. As the primary shared services center for the US Department of Health and Human Services, it is essential that our prices be

<sup>7</sup> The FY03 baseline was modified to include FOHS customers that have previously been excluded. As such all detailed targeted number of customers were changed. However, the targeted percentage increase remained the same.

<sup>8</sup> The FY03 baseline was modified to include FOHS customers that have previously been excluded. As such all detailed targeted number of customers were changed. However, the targeted percentage increase remained the same. Actual results reported only reflect the customer base which excluded FOHS customers. The PSC may have met this target but data showing increase in usage by FOHS customers is not available and therefore PSC could only report on a subset of the total customer base. It expected that PSC will be able to track increase usage for all customers in FY06.

competitive and costs be controlled. Our customers face budget constraints so to best serve them with a full range of products and services, we strive to identify ways that costs can be reduced and prices can be maintained and/or reduced.

One method of controlling price increases is through obtaining new federal customers, internal to the Department, but especially external to the Department. By doing this, the PSC can spread overhead costs to a greater number of work units, achieve economies of scale through volume buys, thus lowering the cost to customers. This is most effective when a great portion of the expanded market includes external customer agencies, which has a direct affect on HHS customer agencies (i.e. total cost to the Department can be reduced)<sup>9</sup>. As a result, we must monitor our customer's usage of services (in addition to managing costs, which is discussed in the next series of performance goals). There are two measures that allow us to track customer usage. The first is to track the number of new customers who are not currently purchasing any services from the PSC. The second is to track the number of existing customers who choose to purchase additional services.

### **Performance Measure 3:**

For this measure, PSC worked in FY 2004 to grow our customer base, which resulted in new customer growth by 10.7%. The actual increase in customer base was significantly higher than expected and the results were very positive. However, this baseline data was not available when the FY 2005 and FY 2006 targets were established. As a result, PSC set a target of 5% growth over the FY 2003 baseline for FY 2005 and 2% growth over the FY 2004 baseline for FY 2006. The actual results for FY 2005 reflect that PSC exceeded its goals for expanded market share. PSC was able to achieve a growth rate of 29.4%. Moving forward, the PSC would like to see growth continue at this rate. However, it is unlikely that this can be sustained over time. For FY 2007, PSC has set a target of maintaining growth for the number of new customers at a rate of 2% over the FY 2006 baseline. However, PSC will strive to exceed this target, especially with potential for new business as a result of anticipated entry into the Lines of Business market. Until actual entry into these markets is known, it is difficult to predict whether the 2% target is high enough.

### **Performance Measure 4:**

For this measure, PSC worked in FY 2004 to increase usage of services among current customers, which resulted in business expansion by 3.8%. The actual increase was a significant achievement for the PSC. However, this baseline data was not available when the FY 2005 and FY 2006 targets were established. As a result, PSC set a target of 5% growth over the FY 2004 baseline for FY 2005 and 2% growth over the FY 2005 baseline for FY 2006. The actual results for FY 2005 reflect that PSC fell short of its goals for increase usage of services among current customers. PSC was only able to achieve a

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<sup>9</sup> While expanding the market is one component of the equation, the other component that has an overall affect on total HHS cost is actual cost of service delivery. It is only when market share AND total delivery costs are tracked that true savings to the Department can be determined. As a result, it is critical for PSC to measure both components in the equation.

growth rate of 3.6%. This reflects an increase usage of services by 32 existing customers. However, the total customer base available for analysis at the end of FY 2005 did not include FOHS customers. As a result, this measure may be under reported but the data will not be available to report otherwise. In future years, PSC will track this measure across all customers.

For FY 2007, PSC has set a target to increase customer usage of services at a rate of 2% over the FY 2006 baseline. However, PSC will strive to exceed this target, especially with potential for new business as a result of anticipated entry into the Lines of Business market. Until actual entry into these markets is known, it is difficult to predict whether the 2% target is high enough

Looking forward, we will continue to strive to expand our services both inside and outside HHS to lower the overall unit price to customers. PSC recognizes that we can obtain economies of scale for our customers by spreading our overhead and fixed costs over a larger customer base and by fully utilizing any excess capacity through scalability. By expanding business outside of HHS, the Department will incur a smaller portion of the overhead and fixed costs thus resulting in a cost savings to the Department.

<b>Long Term Goal:</b> Improve Cost Savings to HHS through Asset Management – Improve annual costs per service to our customers captured by percentages of costs decreased, maintained and/or increased, including fiscal and human capital management.			
<b>Measure</b>	<b>FY</b>	<b>Target</b>	<b>Result</b>
5a. Participate in Department-wide consolidations (outcome)	2007	1 consolidation	Oct-07
	2006	--	--
	2005	--	--
	2004	--	--
	2003	--	--
	2002	--	--
5b. Contribute to the Department's administrative reduction goals as the designated shared services center (outcome)	2007	<b>Eliminate goal</b>	--
	2006	Maintain 15% reduction of FTEs	Oct-06
	2005	Maintain 15% reduction of FTEs	FTE level maintained (Met)
	2004	Identify baseline	963 FTEs
	2003	--	--
	2002	--	--
6. Reduce PSC overhead cost (outcome)	2007	<b>Maintain PSC overhead rate at 1.6% or less</b>	Oct-07
	2006	Maintain PSC overhead rate at 1.3% or less	Oct-06
	2005	10%	8% (Not Met)
	2004	Identify baseline	14%
	2003	--	--
	2002	--	--
7. Reduce revenue consumed by intra-service costs (outcome)	2007	<b>Maintain reduction achieved in FY 2006</b>	Oct-07
	2006	10%	Oct-06
	2005	17%	\$13,313,127 (Not Met)
	2004	Identify baseline	\$12,100,551
	2003	--	--
	2002	--	--
8. Achieve unqualified audit opinion for the PSC (outcome)	2007	<b>Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC</b>	Oct-07
	2006	Unqualified audit opinion, no new MW and RC, and measurable progress in correcting existing MW and RC	Oct-06

<b>Long Term Goal:</b> Improve Cost Savings to HHS through Asset Management – Improve annual costs per service to our customers captured by percentages of costs decreased, maintained and/or increased, including fiscal and human capital management.			
<b>Measure</b>	<b>FY</b>	<b>Target</b>	<b>Result</b>
	2005	Unqualified and no new	Unqualified audit opinion , 1 repeat MW, 1 RC down graded from 2004 MW, and 1 repeat RC (Met – According to draft audit report, subject to change. Final results will be available in the next 120 days.)
	2004	Identify baseline	Unqualified with 1 new MW, 1 repeat MW, and 1 repeat RC
	2003 <sup>10</sup>	100% Unqualified	Unqualified
	2002	Unqualified	Unqualified
9. Achieve overall increase in employee satisfaction PSC-wide (outcome)	2007	75%	Feb-08
	2006	75%	Feb-07
	2005	77%	Goal Not Measurable
	2004	--	68%
	2003	Identify baseline	75%
	2002	--	--
<b>Data Source:</b> <u>Measure 5a</u> - Data will be obtained from the PSC Business Office who has responsibility for tracking participation in Department-wide consolidation efforts; <u>Measure 5b</u> - Data will be obtained from ASBTF on the total estimated FTEs reported HHS-wide that were categorized as administrative in nature; <u>Measure 6</u> - Data will be obtained from the Fee-for-Service Spreadsheet (FFSS) module of the PRICES System from annual overhead cost estimates that were applied to direct costs during the annual rate setting process; <u>Measure 7</u> - Data will be obtained from the FFSS module of the PRICES System from annual intra-service cost estimates that were applied to direct costs during the annual rate setting process; <u>Measure 8</u> - Data will be obtained from the annual audit of financial statements; <u>Measure 9</u> - Data will be obtained from the results of the Human Resource Management Index (HRMI) survey.			
<b>Data Validation:</b> <u>Measure 5a</u> – Actual results will be presented based on ASAM approval of consolidation efforts; <u>Measure 5b</u> - Actual reductions will be calculated as the total administrative FTEs over the prior year; <u>Measure 6</u> - Actual performance will be calculated as the total overhead costs allocated over the prior year; <u>Measure 7</u> - Actual performance will be calculated as the total intra-service costs allocated over the prior year; <u>Measure 8</u> - Actual results will be identified in the annual financial audit performed by independent auditors; <u>Measure 9</u> - Actual results will be based on the HRMI data.			
<b>Cross Reference:</b> HHS Strategic Goal 8, President’s Management Agenda: Improved Financial Performance, Strategic Management of Human Capital, and Expanded e-Government.			

Two critical factors that influence a customer’s desire to purchase services from the PSC include quality of the service and price. Our first two goals address methods for monitoring quality and customer satisfaction.

The previous two goals focus on monitoring volume of services purchased, which directly correlates to the price PSC charges its customers. The remaining goals also address factors that influence price; however, this set of goals focuses on overall cost of delivering the products and services. If PSC costs can be maintained or reduced and the volume of services purchased remains steady or increases, there will be a positive result

<sup>10</sup> In FY 2002 and FY 2003, PSC monitored audit results but not to the level of detail in more recent years.

for the customer (i.e. prices remain the same or decrease). Not only is this good for our customers in that the overall cost to HHS is controlled, it is also something that our customers demand in these times of increased budget constraints. As a result, PSC has put into place a set of measures that track financial management and cost control capabilities.

#### **Performance Measure 5a:**

This performance measure is being established for FY 2007 to replace Performance Measure #5b that is being retired after FY 2006.

Instead of tracking reduction in administrative staff, PSC is adding a measure in FY 2007 to participate in at least one Department-wide consolidation which will address the overall Department goal of reducing administrative costs. If, by working with other agencies on consolidation initiatives, these other agencies cease providing duplicate administrative services offered by the PSC as the Department's shared services provider, overall savings should be seen across the Department. By contributing to Department-wide consolidations, PSC efforts will support the Department's goal of achieving excellence in management practices and result in a more efficient and cost effective federal agency.

#### **Performance Measure 5b:**

One measure that is in place for FY 2005 and FY 2006 is being dropped in FY 2007. This measure – “Contribute to the Department's administrative reduction goals as the designated shared services center” – no longer makes sense for the PSC. While operating divisions across the Department are looking for opportunities to reduce administrative costs and functions, the expectation is that the PSC will assume responsibility for many of these services as the primary shared services center for the Department. As a result, PSC may not realize actual staff and cost reductions, whereas the operating divisions will. As the designated shared services center for the HHS, PSC set a goal to maintain the 15% reduction of FTEs in administrative services that was established as the baseline in FY 2004. The baseline established in FY 2004 was 963 FTEs. For FY 2005, PSC strived to maintain staffing levels that have been previously reduced across HHS, or if possible reduce further. The results for FY 2005 indicate that PSC has maintained the 963 FTEs thus achieving its target for the year.

#### **Performance Measure 6:**

PSC recognizes that it must be prudent in controlling overhead costs (those not involved directly in the performance of our products and services). As a result, the PSC seeks to reduce resources consumed by overhead to the extent possible while still maintaining required internal support functions. Reductions might take the form of staff reassignments from overhead to direct customer support, stringent cost management, elimination of non-value added functions, and reductions in contracted administrative

staff. From FY 2002 through FY 2004, PSC reduced overhead costs by 40%. This has been a benefit to PSC customers in terms of cost savings.

For FY 2005, PSC set a goal to reduce overhead by an additional 10% over the baseline established in FY 2004. The results for FY 2005 demonstrate that PSC achieved an 8% reduction in overhead costs for the year, a rate below the target of 10%. While PSC did not meet its target, it still achieved significant reductions in overhead costs. Due to reductions in overhead costs achieved in prior years, it became apparent early on that the goal for FY 2005 was going to be difficult to achieve. As a result, moving forward the goal of reducing overhead has been adjusted to a maintenance goal.

For FY 2006, PSC established a target of maintaining an overhead rate of 1.3% or less. This change allows us to monitor and maintain this low rate of overhead. For FY 2007, we are targeting to maintain an overhead rate of 1.6% or less. The budgeted overhead rate for FY 2007 has been increased slightly due to inclusion of FTE and contractual costs into overhead that were previously supplemented by the PSC Service Areas. In addition, the increase for FY 2007 includes funds for upcoming business initiatives as well as increases related to oversight of competitive sourcing contracts.

#### **Performance Measure 7:**

Another factor that influences overall cost is the amount of intra-service costs (the cost of PSC services provided by one cost center to another). Intra-service costs result in higher rates to our customers with little value added to their mission while still a valid cost of doing business. As a result, PSC seeks to carefully manage and reduce resources consumed by intra-service support to the extent possible while still maintaining required support functions. Reductions might take the form of identification of intra-service support more appropriately charged to customers, reduction in non-essential requests between Divisions/Service Units, and education of managers on prudent use of PSC's products and services. PSC placed great emphasis on tracking and managing intra-service costs in FY 2003 and FY 2004 and established a baseline in FY 2004. The rationale behind this metric is to improve buying behavior and to also capture lost revenue when two PSC offices are charging each other but never continuing with the next step, that of charging the customer.

Our goal in FY 2005 was to reduce intra-service costs by 17% over the prior year. The target for FY 2005 was not met. The intra-service costs increased over the prior year due to business growth. For FY 2006, we targeted to reduce intra-service costs by 10% over the FY 2005. To obtain this goal, we will continue to educate managers on prudent use of PSC products and services in an effort to control operational costs and improve buying behavior. However, it is unlikely that this target will be achieved as we continue to strive for business expansion. As a result, this measure is being revised for FY 2007 to be a maintenance goal with a target of maintaining reductions in intra-service costs achieved in FY 2006. We will continue to evaluate this measure to determine a target or related measure that is more appropriate for the future.



### **Performance Goal 8:**

A key component in managing our costs is to monitor our financial data and ensure that we meet financial reporting requirements. Achieving an unqualified audit opinion from independent auditors is a significant performance measure of how PSC implements management controls and maintains its financial records. Based on government-wide standards, PSC has adopted a measure that targets a clean, unqualified audit opinion for FY 2005, FY 2006 and FY 2007. In addition for each year, it is also expected that no new material weaknesses and reportable conditions be identified. Finally, as an additional target, PSC will track progress made in addressing any existing material weaknesses and reportable conditions in FY 2006 and FY 2007.

A draft audit report for FY 2005 indicates that PSC will receive an unqualified audit opinion with one repeat material weakness (Financial Systems and Processes), one reportable condition (Internal Controls over Payroll) down graded from an FY 2004 material weakness, and one repeat reportable condition (Information Technology Access and Security Controls). Audit findings for FY 2005 were improved due to better monitoring and increased internal controls by the Human Resources Service which resulted in reducing the material weakness to a reportable condition for Internal Controls over Payroll. PSC will develop action plans to address these findings and conditions in FY 2006.

### **Performance Measure 9:**

Studies have shown that there is a direct link between employee satisfaction, productivity, and customer satisfaction. As a result, it is essential that PSC monitor employee satisfaction levels because dips in satisfaction may result in lower levels of productivity, which then has a correlation to a potential increase in costs. PSC recognizes the importance of employee satisfaction with respect to the overall success of the organization. To measure employee satisfaction levels, PSC has been participating in the DHHS-wide Human Resource Management Index (HRMI) Survey. In general, HRMI surveys are sent out on an annual basis in early May of each year. For FY 2003, 546 PSC employees participated in the HRMI that resulted in an overall satisfaction rating of 75% (Neutral to Very Positive). For FY 2004, 302 PSC employees participated in the HRMI that resulted in an overall satisfaction rating of 68% (Neutral to Very Positive). Using the results of the FY 2003 HRMI, a target was established for FY 2005 to strive for 77% of PSC employees indicate overall satisfaction with their jobs. Unfortunately, however, the HRMI survey was not conducted at any point during the fiscal year and therefore, results are not available for reporting purposes.

Moving forward, PSC expects to continue to measure employee satisfaction as a critical component to the performance management program. The targets for FY 2006 and FY 2007 have been set at a 75% satisfaction rating. PSC is awaiting notification from the Department as to what human capital survey tool should be used for data collection purposes. To ensure that PSC has results for this measure in FY 2006, PSC is prepared to initiate an alternative process to measure employee satisfaction if the Department's

human capital survey is not conducted. In the meantime, PSC is taking action to address satisfaction issues and work to improve human capital processes.

Measuring employee satisfaction coincides with the President's Management Agenda initiative for Strategic Management of Human Capital. In addition to using the HRMI to measure employee satisfaction, PSC conducted a workforce analysis this past year to assess existing human capital processes. Surveys were conducted that identified human capital areas that PSC will focus on improving and strengthening over the next few years. As a result of the workforce analysis, PSC plans to improve human capital processes by focusing on human capital strategy, workforce planning and recruiting, learning management, career development, rewards and recognition, succession planning, and change management. In the end, these efforts will assist the PSC in achieving higher levels of satisfaction across the organization.

Efficiency Measure	FY	Target	Result
10. Achieve target Net Operating Result (NOR) (outcome)	2007	<b>100%</b>	Oct-07
	2006	100%	Oct-06
	2005	90%	62% (Not Met)
	2004	Identify baseline	58%
	2003	--	--
	2002	--	--
<b>Data Source:</b> <u>Measure 10</u> - Data will be obtained from the Cost Recovery Reports from the PRICES System. These reports itemize the costs (expenses), revenue, and percentage of cost recovery for each PSC cost center.			
<b>Data Validation:</b> <u>Measure 10</u> - Actual results will be presented based on ASAM approval of consolidation efforts.			
<b>Cross Reference:</b> President's Management Agenda: Improved Financial Performance			

### Performance Measure 10:

As a working capital fund, PSC must fully recover its operating costs with customer revenue at the agency level. However, in order to ensure that this rolled up information is being managed as effectively as possible, PSC also tracks this information at each individual cost center (product/service) level. Each cost center identifies costs, develops prices, and then revenue is collected at the cost center level. This enables PSC management to evaluate the performance, cost and business results of each product line, identify problem areas, and take appropriate action. PSC monitors cost center performance with an expectation that all costs will be covered by revenue recognition.

In FY 2005, PSC targeted for 90% of costs centers to achieve 100% cost recovery. The results for FY 2005 demonstrate that 62% or 32 out of 52 cost centers fully recovered costs thus the target was not met. While the results achieved for FY 2005 are below the target of 90%, organizationally PSC recovered 100% of its operating costs. In addition, recovery at the cost center level improved over the prior year by 4%. In FY 2004, organizationally PSC recovered 100% of costs while at the individual cost center level 58% or 31 out of 53 cost centers fully recovered costs.

During FY 2004 and FY 2005, PSC completed an analysis of most of its product lines and conducted extensive reengineering. As a result, PSC has identified its core business products and all should be operating at the highest recovery levels for FY 2006.

Therefore, PSC established targets for FY 2006 and FY 2007 that have 100% of cost centers achieving full cost recovery. To achieve the FY 2006 and FY 2007 targets, PSC management is closely examining the cost centers that have repeatedly not achieved full cost recovery the last two fiscal years. The focus is to identify ways to reduce costs while striving for greater operational efficiency and maintaining high-quality products and services.

## Changes and Improvements over Previous Year

In an effort to focus on PSC-wide and outcome oriented goals, PSC implemented new performance goals in FY 2005; the tracking of which began in FY 2004. Tracking of previous performance goals was completed through FY 2004 and are no longer being captured. As a result, those performance goals have been dropped from our performance plan.

In FY 2007, there are two significant changes to the performance goals originally developed in FY 2005. Of the ten original goals, one goal is being dropped, one is being added, one is becoming a maintenance goal, and one target is changing. Targets for the remaining goals remain stable between FY 2006 and FY 2007.

As we continue to refine our performance management approach and study how to effectively meet our end outcomes, some of our measures may change.

Each of these changes described above is displayed in the following table:

Original Goal	Status	Revision/Rationale
Contribute to the Department's administrative reduction goals as the designated shared services center	Goal Dropped in FY 2007 – actual performance will be reported for FY 2005 and FY 2006 according to published targets	In order to meet the Department goal of reducing administrative costs/staff, the PSC assumes that the operating divisions will utilize administrative services that PSC offers instead of performing those functions in-house. As a result, the goal of reducing administrative employees in PSC is not realistic and should be dropped.
Participate in Department-wide consolidations	Goal Added for FY 2007	To contribute to the Department's goal of reducing administrative costs, PSC will participate in at least one Department-wide consolidation. Consolidation efforts should result in reduction of costs across the Department.
Reduce revenue consumed by intra-service costs	Revised target for FY 2007 - actual performance will be reported for FY 2005 and FY 2006 according to published targets	This goal has become a maintenance goal for PSC. The new target for FY 2007 is to maintain reduction of intra-service costs achieved in FY 2007.
Reduce PSC overhead cost	Revised target for FY2007	The new target for FY 2007 has been adjusted for inclusion of contractual costs and new business initiatives.

### **Supplemental Materials**

## Detail of Full-Time Equivalent Employment (FTE)

### DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM SUPPORT CENTER Detail of Full-Time Equivalent Employment (FTE)

	2005 Actual	2006 Estimate	2007 Estimate
Administrative Operations Service.....	182	212	221
Financial Management Service.....	205	247	297
Federal Occupational Health.....	89	91	93
Human Resources Service.....	192	192	192
Strategic Acquisition Service.....	101	126	135
Office of the Director.....	14	25	25
Human Resource Centers.....	397	416	416
Total, FTEs.....	1,180	1,309	1,379

	Average GS Grade
2002.....	10.66
2003.....	10.71
2004.....	10.71
2005.....	11.14
2006.....	11.15

## Detail of Positions

### DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM SUPPORT CENTER Detail of Positions

	2005 Actual	2006 Estimate	2007 Estimate
Executive level I	1	1	1
Executive level II	4	4	4
Executive level III	4	4	4
Executive level IV	1	1	1
Executive level V	0	0	0
Subtotal.....	10	10	10
Total - ES Salary.....	\$1,274,982	\$1,534,106	\$1,559,487
GS-15.....	63	63	63
GS-14.....	143	160	173
GS-13.....	280	296	307
GS-12.....	186	220	246
GS-11.....	89	117	119
GS-10.....	1	1	1
GS-09.....	80	90	98
GS-08.....	52	60	60
GS-07.....	81	90	96
GS-06.....	34	36	40
GS-05.....	26	26	26
GS-04.....	30	30	30
GS-03.....	11	11	11
GS-02.....	1	1	1
GS-01.....	0	0	0
Subtotal.....	1,077	1,201	1,271
Total - GS Salary.....	\$79,562,760	\$95,732,852	\$97,316,686
CO-07.....	0	0	0
CO-06.....	20	20	20
CO-05.....	17	20	20
CO-04.....	13	13	13
CO-03.....	5	5	5
CO-02.....	5	5	5
CO-01.....	0	0	0
Subtotal.....	60	63	63
Total - CO Salary.....	\$5,144,389	\$6,189,919	\$6,292,327
Wage Graded			
07.....	1	1	1
06.....	10	12	12
05.....	10	10	10
04.....	12	12	12
03.....	0	0	0
02.....	0	0	0
Subtotal	33	35	35
Total - WG Salary.....	\$1,716,888	\$2,065,823	\$2,100,000
Total FTE usage, end of year....	1,180	1,309	1,379
Average ES level.....			2.50
Average ES salary.....			\$155,949
Average GS level.....			11.16
Average GS salary.....			\$76,567
Average Commissioned Officer grade.....			4.71
Average Commissioned Officer salary.....			\$99,878
Average Wage Graded grade.....			5.06
Average Wage Graded salary.....			\$60,000

## New Positions Requested

New Positions Requested 2007			
	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>
<b>Administrative Operations Service</b>			
Lead Visual Information Specialist .....	GS 13	1	\$ 89,593
Visual Information Specialist .....	GS 11	1	62,863
Visual Information Specialist .....	GS 12	1	75,342
Staff Assistant, OD .....	GS 06	1	38,222
Property Management Specialist .....	GS 11	1	62,863
Management Analyst .....	GS 9	1	51,957
Mail Assistant .....	GS 09	1	51,957
Freedom of Information Assistant .....	GS 9/11	1	57,214
Audio Visual Production Specialist .....	GS 11	1	62,863
		<b>9</b>	<b>\$ 552,874</b>
<b>Financial Management Service</b>			
Accountant .....	GS 5/7/9/12	20	\$ 1,257,264
Accountant .....	GS 13	1	89,593
Accountant .....	GS 12/13	17	1,280,811
Accountant .....	GS 13/14	2	179,185
Accountant .....	GS 14	1	105,873
Accountant .....	GS 09/12	3	188,590
Computer Specialist .....	GS 14	2	211,746
Financial Management Specialist .....	GS 14	1	105,873
Financial Management Specialist .....	GS 15	1	124,537
Financial Specialist .....	GS 13	1	89,593
Systems Accountant .....	GS 9/11/12	1	62,863
		<b>50</b>	<b>\$ 3,695,928</b>
<b>Federal Occupational Health Service</b>			
Program Manager .....	GS 09/12	1	\$ 62,863
Senior Program Management Officer .....	GS 14	1	105,873
		<b>2</b>	<b>\$ 168,736</b>
<b>Strategic Acquisition Service</b>			
Supervisory Contract Specialist .....	GS 14	1	\$ 105,873
Management Analyst .....	GS 12/13	1	75,342
Contract Specialist .....	GS 12/13	4	301,367
Contract Specialist .....	GS 09/11	3	188,590
		<b>9</b>	<b>\$ 671,172</b>
<b>Total</b>		<b>70</b>	<b>\$ 5,088,711</b>



## Performance Budget Crosswalk

<b>Performance Budget Crosswalk</b> <b>Program Support Center</b> <b>(\$ in Thousands)</b>				
<b>Performance Program Area (PPA)</b>	<b>Budget Activity</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Administrative Operations Service	Improve Quality	36,896	50,660	52,674
	Improve Costs Savings to HHS	68,524	94,082	97,824
	<b>SubTotal</b>	<b>\$ 105,420</b>	<b>\$ 144,742</b>	<b>\$ 150,498</b>
Financial Management Service	Improve Quality	19,242	20,936	30,015
	Improve Costs Savings to HHS	35,735	38,882	55,742
	<b>SubTotal</b>	<b>\$ 54,977</b>	<b>\$ 59,818</b>	<b>\$ 85,757</b>
Federal Occupational Health	Improve Quality	62,029	65,561	67,579
	Improve Costs Savings to HHS	115,198	121,755	125,505
	<b>SubTotal</b>	<b>\$ 177,227</b>	<b>\$ 187,316</b>	<b>\$ 193,084</b>
Human Resources Service	Improve Quality	18,492	22,987	23,181
	Improve Costs Savings to HHS	34,343	42,689	43,051
	<b>SubTotal</b>	<b>\$ 52,835</b>	<b>\$ 65,676</b>	<b>\$ 66,232</b>
Strategic Acquisition Service	Improve Quality	25,549	27,526	27,606
	Improve Costs Savings to HHS	47,447	51,119	51,268
	<b>SubTotal</b>	<b>\$ 72,996</b>	<b>\$ 78,645</b>	<b>\$ 78,874</b>
Business Technology Optimization	Improve Quality	-	8,087	8,194
	Improve Costs Savings to HHS	-	15,018	15,218
	<b>SubTotal</b>	<b>\$ -</b>	<b>\$ 23,105</b>	<b>\$ 23,412</b>
Human Resource Centers	Improve Quality	15,947	17,709	18,568
	Improve Costs Savings to HHS	29,616	32,887	34,484
	<b>SubTotal</b>	<b>\$ 45,563</b>	<b>\$ 50,596</b>	<b>\$ 53,052</b>
<b>Program Total</b>		<b>\$ 509,018</b>	<b>\$ 609,898</b>	<b>\$ 650,909</b>

## Summary of Full Cost

In estimating full cost, the PSC utilizes prior year and current year-to-date actual financial information from its systems. Overhead is allocated to all revenue producing cost centers, based on number of FTEs, and becomes part of their operating full cost. To fully recover costs at the program level, cost centers divide their full operating costs by anticipated units of customer demand.

<b>Summary of Full Cost of Performance Program Areas Program Support Center (\$ in Thousands)</b>			
<b>Request, Full Costs &amp; Annual Measures</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Improve Quality	178,156	213,464	227,818
Improve Cost Savings to HHS	330,862	396,434	423,091
<b>Program Total</b>	<b>\$ 509,018</b>	<b>\$ 609,898</b>	<b>\$ 650,909</b>

### **Special Requirements**

**Unified Financial Management System (UFMS).** UFMS is being implemented to replace five legacy accounting systems currently used across the Operating Divisions (Agencies). The UFMS will integrate the Department's financial management structure and provide HHS leaders with a more timely and coordinated view of critical financial management information. The system will also facilitate shared services among the Agencies and thereby, help management reduce substantially the cost of providing accounting service throughout HHS. Similarly, UFMS, by generating timely, reliable and consistent financial information, will enable the component agencies and program administrators to make more timely and informed decisions regarding their operations. UFMS has reached a major milestone in April 2005 with the move to production for the Center for Disease Control (CDC) and the Food and Drug Administration (FDA).

**Accounting Operations.** Operations and Maintenance (O & M) activities for UFMS commenced in FY 05. The Program Support Center's (PSC) FY 05 and FY06 budgets did not include funding as O & M activity costs were funded at the OPDIV level. The PSC will provide the O & M activities needed to support UFMS. The scope of O & M services includes post deployment support and ongoing business and technical operations services. Post-deployment services include supplemental functional support, training, change management and technical help-desk services. On-going business operation services involve core functional support, training and communications, and help desk services. On-going technical services include the operations and maintenance of the UFMS production and development environments, on-going development support, and backup and disaster recovery services. The PSC's FY 2007 budget includes \$25.49 million for the full transition of UFMS O & M function in support of FDA, CDC and PSC.

**Automating Administrative Activities.** HHS agencies have been working to implement automated solutions for a wide range of administrative activities. As UFMS development and implementation move toward completion, there are added opportunities to improve efficiency through automating the transfer of information from administrative systems to the accounting system. The Program Support Center will support coordinated development of these improved automated linkages and administrative systems.

**Enterprise Information Technology Fund.** The Program Support Service's request includes funding to support the President's Management Agenda Expanding E-Government and Departmental enterprise information technology initiatives. Operating Division funds will be combined to create an Enterprise Information Technology (EIT) Fund to finance specific information technology initiatives identified through the HHS strategic planning process and approved by the HHS IT Investment Review Board. These enterprise information technology initiatives promote collaboration in planning and project management and achieve common HHS-wide goals. Examples of HHS enterprise initiatives funded by the EIT Fund are Enterprise Architecture, Capital Planning and Investment Control, Enterprise E-mail, Grants Management Consolidation, and Public Key Infrastructure.

**Retirement Pay and Medical Benefits for Commissioned Officers**

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Retirement Pay and Medical Benefits for Commissioned Officers

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### **Appropriation Language**

The Program Support Center has responsibility for the administration of the retirement pay for commissioned officers. The appropriations language for that account follows.

#### **Retirement Pay and Medical Benefits for Commissioned Officers**

For retirement pay and medical benefits of Public Health Service Commissioned Officers as authorized by law, for payments under the Retired Serviceman's Family Protection Plan and Survivor Benefit Plan, and for medical care of dependents and retired personnel under the Dependent's Medical Care Act (10 U.S.C. ch. 55), such amounts as may be required during the current fiscal year.

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Retirement Pay and Medical Benefits for Commissioned Officers

**Amounts Available for Obligation**

	FY 2005 <u>Actual</u>	FY 2006 <u>Appropriation</u>	FY 2007 <u>Estimate</u>
Mandatory <sup>11</sup>	\$306,230,513	\$328,552,000	\$341,694,000
Discretionary <sup>12</sup>	<u>32,045,430</u>	<u>34,477,000</u>	<u>36,288,000</u>
Total obligations	\$338,275,943	\$363,029,000	\$377,982,000

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<sup>11</sup> Includes Retirement Payments, Survivor's benefits, and Medical care.

<sup>12</sup> Includes accruals for health care of Medicare-eligible beneficiaries.



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

**Summary of Changes**

2006 Appropriation.....	\$363,029,000
2007 Request.....	<u>377,982,000</u>
Net change.....	+14,953,000

	FY 2006 Current <u>Estimate Base</u>		<u>Change from Base</u>	
	FTE	BA	FTE	BA
Changes:				
1. Annualization of the FY 2006 COLA, 2.2% COLA in FY 2007, and for the projected net increase of retirees during FY 2007.	---	\$256,193,000	---	+\$10,248,000
2. Annualization of the FY 2006 COLA, 2.2% COLA in FY 2007, and projected net increase in average costs per survivor in FY 2007	---	15,600,000	---	+624,000
3. Will only cover medical benefits for Officers under age 65. Costs do include a projected increase of 4.1% in medical care costs for these Officers.	---	56,759,000	---	+2,270,000
4. Will cover Medicare Eligible Accrual Benefits for Officers under age 65.	---	34,477,000	---	+1,811,000
Net change			---	+\$14,953,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

**Budget Authority by Activity**

	FY 2005 <u>Actual</u>	FY 2006 <u>Appropriation</u>	FY 2007 <u>Estimate</u>
Retirement payments	\$247,031,515	\$256,193,000	\$266,441,000
Survivors' benefits	14,206,440	15,600,000	16,224,000
Medical care	44,992,558	56,759,000	59,029,000
Medicare Eligible	<u>32,045,430</u>	<u>34,477,000</u>	<u>36,288,000</u>
Accruals			
Total	\$338,275,943	\$363,029,000	\$377,982,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

**Budget Authority by Object**

	FY 2005 <u>Actual</u>	FY 2006 <u>Appropriation</u>	FY 2007 <u>Estimate</u>	Increase/ <u>Decrease</u>
Benefits for former Personnel	\$261,237,955	\$271,793,000	\$282,665,000	+\$10,872,000
Other Services	<u>77,037,988</u>	<u>91,236,000</u>	<u>95,317,000</u>	<u>+4,081,000</u>
Total budget authority by object	\$338,275,943	\$363,029,000	\$377,982,000	+\$14,953,000

# DEPARTMENT OF HEALTH AND HUMAN SERVICES

## Retirement Pay and Medical Benefits for Commissioned Officers

### Authorizing Legislation

	<u>FY 2006 Amount Authorized</u>	<u>FY 2006 Appropriation</u>	<u>FY 2007 Amount Authorized</u>	<u>FY 2007 Estimate</u>
1. Retirement payments Chapter 6A of Title 42, U.S.C.	Indefinite	\$256,193,000	Indefinite	\$266,441,000
2. Survivors' benefits Chapter 73 of Title 10, U.S.C.	Indefinite	15,600,000	Indefinite	16,224,000
3. Medical care Chapter 55 Of Title 10 U.S.C., P.L. 89-614; P.L.106- 398; P.L. 107-107.	Indefinite	56,759,000	Indefinite	59,029,000
4. Medicare Eligible Accruals, Chapter 55 Of Title 10 U.S.C., P.L. 108-375	Indefinite	34,477,000	Indefinite	36,288,000

# DEPARTMENT OF HEALTH AND HUMAN SERVICES

## Retirement Pay and Medical Benefits for Commissioned Officers

### Appropriations History Table

<u>Year</u>	<u>Budget Estimate to Congress</u>	<u>House Allowance</u>	<u>Senate Allowance</u>	<u>Appropriation</u>
1992	\$134,674,000	\$134,674,000	\$134,674,000	\$123,189,000
1993	140,762,000	140,762,000	140,762,000	140,463,000
1994	153,060,000	153,060,000	153,060,000	147,191,000
1995	159,321,000	159,321,000	159,321,000	144,370,000
1996	166,925,000	166,925,000	166,925,000	154,715,000
1997	178,635,000	178,635,000	178,635,000	179,008,000
1998	190,739,000	190,739,000	190,739,000	190,996,000
1999	201,635,000	201,635,000	201,635,000	200,870,805
2000	214,905,000	214,905,000	214,905,000	201,842,168
2001	219,772,000	219,772,000	219,772,000	245,956,147
2002	242,577,000	242,577,000	242,577,000	273,478,736
2003	251,039,000	251,039,000	251,039,000	291,471,400
2004	308,763,000	308,763,000	308,763,000	321,083,552
2005	324,636,000	324,636,000	324,636,000	343,885,944
2006	363,029,000	363,029,000	363,029,000	363,029,000
2007	377,982,000			

## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Retirement Pay and Medical Benefits for Commissioned Officers

#### **Justification**

##### ***A. Account Summary***

	FY 2005 <u>Actual</u>	FY 2006 <u>Appropriation</u>	FY 2007 <u>Estimate</u>	Increase or <u>Decrease</u>
Retirement payments	\$247,031,515	\$256,193,000	\$266,441,000	+\$10,248,000
Survivors' benefits	14,206,440	15,600,000	16,224,000	+624,000
Medical care	44,992,558	56,759,000	59,029,000	+2,270,000
Medicare Eligible Accruals	<u>32,045,430</u>	<u>34,477,000</u>	<u>36,288,000</u>	<u>+1,811,000</u>
Total budget authority	\$338,275,943	\$363,029,000	\$377,982,000	+\$14,953,000

##### ***B. General Statement***

This appropriation provides for retirement payments to Public Health Service (PHS) officers who are retired for age, disability, or a specified length of service as well as for payments to survivors of deceased retired officers who had elected to receive reduced retirement payments.

This account also funds the provision of medical care to active duty and retired members of the PHS Commissioned Corps, and to dependents of active duty, retired and deceased members of the PHS Commissioned Corps.

The FY 2007 request is a net increase of \$14,953,000 over the FY 2006 level. This amount reflects increased medical benefits costs, an annualization of amounts paid to retirees and survivors in FY 2005, and a net increase in the number of retirees and survivors during FY 2005. The budget request includes a cost-of-living adjustment (COLA) of 2.2 percent.

### ***C. Retirement Payments***

Authorizing legislation - Chapter 6A of Title 42 U.S.C.

<u>FY 2005</u> <u>Actual</u>	<u>FY 2006</u> <u>Appropriation</u>	<u>FY 2007</u> <u>Estimate</u>	<u>Increase or</u> <u>Decrease</u>
\$247,031,515	\$256,193,000	\$266,441,000	+\$10,248,000

2007 Authorization..... Indefinite

#### Purpose and Method of Operation

The purpose of this activity is to provide mandatory payments to Commissioned Officers of the Public Health Service who have been retired for age, disability or specified length of service.

Funding levels for the past five fiscal years were as follows:

2002.....	204,224,261
2003.....	213,938,930
2004.....	228,064,000
2005.....	247,031,515
2006.....	256,193,000

#### Rationale for the FY 2007 Budget Request

The FY 2007 request of \$266,441,000 is an increase of \$10,248,000 over the FY 2006 level and will support payments to an estimated 5,047 annuitants. The increase will fund the annualization costs of the FY 2006 COLA, an FY 2007 COLA of 2.2 percent, and the projected net increase of 240 retirees during FY 2007.

The FY 2007 estimates are based on payments to the following number of retirees:

<u>Period Ending</u>	<u>Total</u>	<u>Net</u> <u>Increase/(Decrease)</u>
September 30, 2005, (act.)	4,578	214
September 30, 2006, (est.)	4,807	229
September 30, 2007, (est.)	5,047	240

#### ***D. Survivors' Benefits***

Authorizing legislation - Chapter 73 of Title 10 U.S.C.

FY 2005 <u>Actual</u>	FY 2006 <u>Appropriation</u>	FY 2007 <u>Estimate</u>	Increase or <u>Decrease</u>
\$14,206,440	\$15,600,000	\$16,224,000	+\$624,000

2007 Authorization..... Indefinite

#### **Purpose and Method of Operation**

This activity provides for the payment of annuities to survivors of retired officers who had elected to receive reduced retirement payments under the Retired Serviceman's Family Protection Plan and Survivor's Benefit Plan. This program is financed by the Federal Government although deductions are made in the retirement payments to the officers who elect the option of survivors' benefits.

Funding levels for the past five years were as follows:

2002.....	13,216,357
2003.....	13,478,866
2004.....	14,298,000
2005.....	14,206,440
2006.....	15,600,000

#### **Rationale for the FY 2007 Budget Request**

The FY 2007 request of \$16,224,000 is an increase of \$624,000 from the FY 2006 level and will provide payments for an estimated 684 annuitants. This amount includes funds for the annualization costs of the FY 2006 COLA and the FY 2007 COLA of 2.2 percent.

The FY 2007 estimates are based on payments to the following numbers of annuitants:

<u>Period Ending</u>	<u>Total</u>	<u>Net Increase/(Decrease)</u>
September 30, 2005, (act.)	645	16
September 30, 2006, (est.)	664	19
September 30, 2007, (est.)	684	20



### *E. Medical Care*

Authorizing legislation - Chapter 55 of Title 10 U.S.C.; P.L. 106-398; and P.L. 107-107.

FY 2005 <u>Actual</u>	FY 2006 <u>Appropriation</u>	FY 2007 <u>Estimate</u>	Increase or <u>Decrease</u>
\$44,992,558	\$56,759,000	\$59,029,000	\$2,270,000

2007 Authorization..... Indefinite

#### Purpose and Method of Operation

This program provides for the cost of medical care rendered in non-Federal and in uniformed service facilities to active duty and retired PHS commissioned officers and dependents of eligible personnel.

This activity fulfills the mandatory medical care obligations of the Public Health Service to Commissioned Officers and their dependents. Medical care to eligible beneficiaries is authorized under the Dependents' Medical Care Act, as amended by P.L. 89-614, which allows for an expanded and uniform program of medical care to active duty and retired members of the uniformed services, and dependents of active duty, retired and deceased members. Health care provided in a uniformed service facility is billed directly to the Public Health Service by that organization. When medical care is provided to dependents or retirees in a private facility, the Civilian Health and Medical Program of the Uniformed Services (TRICARE) acts as the Government's agent to arrange payment and, in turn, bills the Public Health Service for the services rendered. In addition, contract medical care is arranged for active duty officers who are not stationed in an area accessible to uniformed facilities.

In FY 2005, the estimated budget was \$54,680,944 and actual obligations were \$44,992,558, or \$9,688,386 below the estimate. HHS attributes this difference to significant delays in processing medical tickets from point of delivery to Tricare and then to HHS. HHS will examine incoming bills during FY 2006 to determine whether any funding adjustments are required to meet FY 2006 expenditures."

Funding and beneficiary levels for the past five years were as follows:

	Total <u>Funding Level</u>
2002	50,239,318
2003	38,915,768
2004	52,577,831
2005	44,992,558
2006	56,759,000

#### Rationale for FY 2007 Budget Request

The request of \$59,029,000 will provide medical care for under age 65 beneficiaries. The FY 2007 request reflects increases in the cost of drugs and inpatient and outpatient care for all beneficiaries in Federal and non-Federal facilities.

#### ***F. Medicare-Eligible Accruals***

Authorizing legislation – Chapter 55 of Title 10 U.S.C.; P.L. 108-375

<u>FY 2005 Actual</u>	<u>FY 2006 Appropriation</u>	<u>FY 2007 Estimate</u>	<u>Increase or Decrease</u>
\$32,045,430	\$34,477,000	\$36,288,000	\$1,811,000

2007 Authorization..... Indefinite

#### Purpose and Method of Operation

The purpose of this activity is to provide discretionary payments of accrual amounts to the Department of Defense Uniformed Service Retiree Health Care Fund for Medicare-eligible beneficiaries on behalf of the PHS Commissioned Corps. The cost of medical benefits for Medicare-eligible beneficiaries is paid from the Department of Defense Medicare-Eligible Retiree Health Care Fund (10 U.S.C., ch. 55). Beginning in 2006, permanent indefinite authority is provided for a discretionary appropriation of the annual accrual payment into this fund (P.L. 108-375, section 725).

#### Rationale for FY 2007 Budget Request

The request of \$36,288,000 includes an increase of \$1,811,000 which reflects the accrual rate that has been determined by the DoD Actuary Report.